



STATE OF WASHINGTON
DEPARTMENT OF COMMUNITY,
TRADE AND ECONOMIC DEVELOPMENT

WASHINGTON STATE 2004 ACTION PLAN

November 2003



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2004 Washington State Action Plan

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INTRODUCTION

The Washington State Action Plan is a document that jurisdictions directly receiving funds from the U.S. Department of Housing and Urban Development (HUD) are required to submit. On an annual basis the Action Plan formally amends the state's 2001 – 2005 Consolidated Plan for Housing and Community Development. Upon approval by HUD, Washington State receives funding distributed by formula under the Community Development Block Grant (CDBG), Emergency Shelter Grant (ESG), HOME Investment Partnerships (HOME), and Housing Opportunities for Persons With Aids (HOPWA) programs. The Department of Community, Trade and Economic Development (CTED) is the administrative entity responsible for implementing the Action Plan.

The Action Plan provides basic information regarding the state's plans for distribution of money received from HUD, CDBG, ESG, HOME and HOPWA formula programs. At this printing, the appropriations process for these programs has not been completed. All amounts listed for distribution in this document therefore are based upon estimates of what may be available after Congress acts.

The Action Plan explains any proposed programmatic or operational changes for 2004, provides guidelines on how HUD resources will be distributed and used, and provides information on how CTED will address the individual requirements of the CDBG, ESG, HOME and HOPWA programs. Highlights of how federal resources will support key state housing initiatives are also included.

Requesting a Copy of the Action Plan

Printed copies of the 2004 Action Plan are available by contacting Laurie Dschaak at (360) 725-3020 or by email at Lauried@cted.wa.gov. This publication is available in alternative format upon request. The 2004 Action Plan is also posted for review on the agency's website: www.cted.wa.gov.

Public Hearing and Comment Period

The formal review and comment period for the draft 2004 Action Plan began on October 15, 2003 and ended at 5 p.m. on November 6, 2003. Public hearings were held at 1:30 p.m. on October 23, 2003 at the following two locations:

Olympia
Department of Health
1102 Quince Street
Olympia, Washington
(360) 236-4230

Spokane
Spokane Intercollegiate Research and
Technology Institute (SIRTI)
665 North Riverpoint Boulevard
Spokane, Washington
(509) 358-2000

Meetings sponsored by CTED shall be accessible to persons with disabilities. Accommodations may be arranged by phoning (360) 725-3006.

In addition to the opportunity to comment on the Action Plan at either public hearing location, written comments and emailed comments were accepted at the following addresses:

Mail comments to:

Stephen H. Buxbaum, Assistant Director or
Housing Division
Department of Community, Trade &
Economic Development
906 Columbia Street SW
PO Box 48350
Olympia, Washington 98504-8350

Kaaren Roe, CDBG Project Manager
Community Development Programs
Department of Community, Trade &
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906 Columbia Street SW
PO Box 48350
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Email comments to:

Stephenb@cted.wa.gov

or

Kaarenr@cted.wa.gov

All comments received have been included in the Comments Section (see page 91).

SUMMARY OF 2004 CHANGES TO THE STATE CONSOLIDATED PLAN FOR HOUSING AND COMMUNITY DEVELOPMENT

New CDBG Entitlement Communities

As a result of new census data, five cities in Washington State are now eligible and three cities have elected to seek CDBG entitlement status in 2004, and will receive a direct CDBG allocation from HUD. This has the potential of decreasing the overall amount of funds allocated to the Washington State CDBG Program for non-entitlement communities and will change the list of jurisdictions eligible to apply for state CDBG funds. See the Anticipated Resources and General guidelines section of the Action Plan for more information.

Development of Performance Measures

Washington State intends to develop a new Consolidated Plan that will serve to guide the state's housing and community development activities over the 5-year period, 2005 to 2009. This will include a new system for measuring program performance. This Action Plan introduces the plan to develop and use new performance measures. See the Anticipated Resources and General guidelines section of the Action Plan for more information.

Increased CDBG Limits and Expanded Eligible Uses

Based on a review of community needs and funding trends, the CDBG Program will be increasing the maximum grant limit amounts for the CDBG General Purpose Grant and Planning-Only Grant funds. Also, the Community Investment Fund and General Purpose Grant guidelines have been expanded to allow two new approaches to the use of CDBG funds under special circumstances: Special Activities by Community-Based Development Organizations and Community Revitalization Strategy Process. See the respective CDBG fund sections of the Action Plan for more information.

Housing Rehabilitation Grant Program Set-Aside

A new CDBG fund will be established to address local housing rehabilitation needs and to seek to partner with housing rehabilitation resources within CTED. See the specific CDBG Housing Rehabilitation Grant Program section of the Action Plan for more information.

CDBG National Objective of Prevention/Elimination of Slums or Blight

The CDBG Community Investment Fund program guidelines will be expanded to clarify how this fund can address projects that meet the CDBG national objective of preventing or eliminating slum or blight within an eligible community. See the specific CDBG Community Investment Fund section of the Action Plan for more information.

Interim Construction Financing with CDBG Float Funds

CTED manages the CDBG Float-Funded Activities Program that serves non-entitlement jurisdictions by using CDBG funds, not to be drawn down for the duration of the loan term, for short-term loans. While historically this program has assisted economic development activities, the use of these float funds has been expanded to include interim construction financing for eligible community development and housing activities. See the specific CDBG Float-Funded Activities section of the Action Plan for more information.

SUPPORT FOR STATE HOUSING INITIATIVES

CTED intends to use available HUD resources to address the critical need for: (1) housing rehabilitation, (2) farmworker housing, and (3) supportive housing. As detailed in the state's Consolidated Plan, each year CTED targets its resources to preserve existing owner-occupied housing stock, continue the operation and increase the supply of housing for agricultural workers, and ensure supportive housing options for persons with special needs. The following highlights the federal resources and activities that are used to implement these strategic initiatives.

Housing Rehabilitation

Twenty-five percent of the HOME program funds will be used to fund the Home Repair and Rehabilitation Program. HOME dollars are used in conjunction with state, private and federal weatherization and rehabilitation funds to perform emergency repair, energy efficiency, and health and safety improvements for single-family, owner-occupied dwellings. Our goal is to annually preserve at least 5,000 owner-occupied units by investing in energy efficiency, health, safety, repairs and rehabilitation improvements.

A dedicated portion of CDBG funds will be used to create a new CDBG set-aside for the Housing Rehabilitation Grant Program. The primary goal of the program is to provide a stable source of funding for substantial housing rehabilitation, minor home and emergency repairs, and lead-based paint mitigation. A secondary goal is to develop a plan for creating a housing rehabilitation consortium program that will consolidate and streamline existing inter-departmental housing rehabilitation programs into one efficient application process.

Farmworker Housing

HOME program funds will be available for new construction and acquisition and rehabilitation of multifamily rental structures serving agricultural workers. These federal funds extend resources appropriated by the Legislature for the 2003-2005 biennium that totaled \$8 million for farmworker housing. The types of housing projects range from permanently occupied affordable housing to the seasonally run Rent-A-Tent program where tents are used as temporary housing at on-site farms throughout the state. CTED estimates a housing need of 57,000 units for migrant and seasonal agricultural workers. On an annual basis, our goal is to create 250 additional units and 1,500 beds of farmworker housing.

CDBG Housing Enhancement Grant Funds will be available as flexible companion grants in coordination with Housing Trust Fund awards. Funds may be used for infrastructure costs in support of new construction housing for farmworker housings. Up to \$1.2 million will be available in 2004.

CDBG Planning-Only Grants are available to eligible jurisdictions to conduct priority planning activities in support of local farmworker housing efforts. Up to \$500,000 is available for the CDBG Planning-Only Grant in 2004. The maximum grant amount is increased for regional planning efforts, to encourage eligible jurisdictions that share a common planning need to coordinate their planning and implementation efforts.

Supportive Housing

There are several activities through HOME that are available to address supportive housing needs of people with special needs. In addition to developing and preserving affordable supportive housing with HOME resources, the Tenant Based Rental Assistance (TBRA) program will also be available to make housing affordable for people with special needs. At least fifteen percent of HOME funds will be used in the TBRA program that provides a monthly housing assistance so that a household pays no more than 30 percent of the household's adjusted monthly income for rent. These funds are in addition to the \$5 million appropriated by the Legislature for the 2003-2005 biennium for housing for persons with developmental disabilities, \$5 million for transitional housing for homeless families with children, and \$1 million for housing for survivors of domestic violence. There are a variety of people with special needs. For example, they are people who are homeless, developmentally disabled, or chronically mentally ill. Identifying the housing needs of this diverse population is difficult. The best estimates to date are: 20,000 homeless on any given night, 4,500 persons with developmental disabilities with acute housing needs, and 61,000 adults with severe mental illness who need permanent supportive housing. CTED's goal is to develop or preserve 680 units of special needs housing on an annual basis.



***Hopelink – Transitional Family Housing
King County
Funded by Housing Trust Fund***



***Soundview Apartments
Located in the City of Longview
Funded by CDBG General Purpose Grant***

ANTICIPATED RESOURCES AND GENERAL GUIDELINES

Overview

The Department of Community, Trade and Economic Development (CTED) receives a variety of federal and state resources to meet the state's housing and community development priorities. Many resources are linked together to secure maximum benefit to clients, such as weatherization and home repair. Federal and state resources are leveraged with non-public funds to maximize cost efficiency and to stretch the public dollar.

Anticipated Resources

The following table highlights the HUD funds and major federal and state housing resources that CTED anticipates receiving in 2004, including program income. The programs are in general categories for purposes of this table. Many of the programs offer a variety of services that cross categories. Not all of CTED's housing programs are detailed here (i.e. technical assistance). The emphasis is on major programs that directly increase or maintain the supply of affordable housing in the state and CDBG funds.



*Pacific Co. Early Childhood Learning Center
Located in the City of South Bend
Funded by CDBG General Purpose Grant*



*Blue Mountain Action Council – Self Help Housing
Located in the City of Walla Walla
Funded by Housing Trust Fund
and CDBG Housing Enhancement Grant*

TABLE 1:

ANTICIPATED STATE AND FEDERAL RESOURCES BY PROGRAM		
	Federal Funds <u>1/</u>	State Funds <u>2/</u>
Affordable Housing		
The Housing Trust Fund (HTF) will dedicate funds for a variety of low-income housing activities including weatherization, repair, and rehabilitation. The HTF will also target resources to farmworkers, homeless families with children, people with developmental disabilities, survivors of domestic violence.		\$73 million
The HOME Program funds will be used for 2004 priority strategies and initiatives.	\$11 million	
Housing Opportunities for People With AIDS (HOPWA) will provide a variety services including short and long-term rental assistance and operating subsidies to keep rents affordable.	\$650,000	
The Weatherization Program will provide energy efficiency improvements, and health and safety repairs for homes of eligible households (HHS & DOE).	\$11.2 million	
Homeless Services		
State and federally funded programs will provide shelter and services for people who are homeless and use resources to prevent homelessness.	\$1 million	\$15 million
Supportive Housing		
The state's Transitional Housing, Operating and Rent Program (THOR) will provide transitional housing for homeless families with children. CTED will compete for federal McKinney funds on behalf of 25 counties in the Balance of State to support a Continuum of Care homeless services system.	\$1.2 million	\$5 million
Repayments		
HOME loan repayments – same uses as HOME program funds.	\$467,000	
Housing Trust Fund loan repayments- Provide resources for Housing Resource Team and other “soft” housing development costs.		\$2,850,000
<u>1/</u> Annual <u>2/</u> Bi-Annual, July 2003-June 2005		

ANTICIPATED STATE AND FEDERAL RESOURCES BY PROGRAM (cont.)		
	Federal Funds <u>1/</u>	State Funds <u>2/</u>
Community Development Block Grant		
The CDBG Community Investment Fund provides eligible communities the opportunity to access technical and financial assistance throughout the year for locally-prioritized strategic community and economic development projects that benefit low- and moderate-income persons or address slum/blight.	\$4,500,000	
CDBG General Purpose Grants, with an annual competitive funding cycle and maximum grants of up to \$1,000,000 per application, funds local housing, public facilities, community facilities, or economic development/microenterprise projects principally benefiting low- and moderate-income persons.	\$8,000,000	
CDBG Housing Enhancement Grants are flexible companion funds to support priority applications submitted to the Washington State Housing Finance Unit.	\$1,185,000	
The CDBG Housing Rehabilitation Grant Program provides maximum grants of up to \$500,000/year to local housing rehabilitation activities in coordination with other CTED housing rehabilitation programs.	\$1,000,000	
CDBG Imminent Threat Grants address unique emergencies posing a serious and immediate threat to public health and safety on a fund availability basis.	\$400,000	
CDBG Planning-Only Grants fund planning projects that principally benefit low- and moderate-income persons with grants of up to \$35,000 for a single-jurisdiction and \$50,000 for multi-jurisdiction applicants on a funds available basis.	\$500,000	
CDBG Public Services Grants are made available through counties to 15 community action agencies serving non-entitlement areas for activities serving low- and moderate-income persons. Funding is provided by formula and administration is coordinated with the state Community Services Block Grant Program.	\$1,775,000	
The Section 108 Loan Guarantee Program pledge future CDBG resources to secure loan guarantees for eligible community and economic development activities.	\$18,000,000	
The Rural Washington Loan Fund provides gap financing to small businesses, primarily in economically distressed and timber-impacted areas of the state to create or retain jobs for low- and moderate-income persons.	\$6,500,000	
CDBG Float-Funded Activities are fully secured loans made in support of CDBG eligible community and economic development projects. The capital that is made available for Float-Funded Activities comes from unexpended CDBG awards to local governments.	\$20,000,000	

New CDBG Entitlement Communities

CDBG resources are distributed to the state by formula described by federal statute. HUD is required to recalculate the distribution of resources to CDBG programs every ten years as new decennial census data becomes available. As a result of this new census data, there are several non-entitlement communities in Washington State that now meet the population requirements to become CDBG entitlement communities in 2004. The cities of Anacortes, Longview and Mount Vernon have elected to seek entitlement status in 2004 and will receive a direct CDBG allocation from HUD. The cities of Kelso and Wenatchee have chosen to continue to be served through the state CDBG Program through 2004.

The amount of funds that the new entitlement cities will receive will not be calculated until an interim rule is issued, which must receive approval from both Congress and the Office of Management and Budget (OMB). This revised funding will affect the Washington State's CDBG Program allocation from HUD.

Specifically for the 2004 CDBG program year, this change will decrease the overall amount of funds allocated to Washington State for non-entitlement communities, revise the list of eligible jurisdictions for 2004 state CDBG funding (see Appendix A), and specifically impact the eligible uses of the 2004 CDBG Public Service Grants described in this Action Plan. Although this issue may not be resolved for several months, the state must produce a method of distribution prior to November 15, 2003. Accordingly, a set of contingencies is outlined below that addresses these uncertainties.

- Reduction in overall CDBG allocation to Washington State: The carry-over contingency fund will be used to offset reductions in resources and to maintain the funding levels listed in Table 3: 2004 CDBG Description of Proposed Uses.
- The 2004 General Purpose Grant Application Handbook is already released. The state CDBG program will only consider General Purpose Grant applications from jurisdictions established as non-entitlement jurisdictions for 2004.
- 2004 Public Service Grants allocated to counties that include a new entitlement jurisdiction(s) will be reviewed to ensure the Public Service Grants are budgeted to fund only services to residents of the non-entitlement service areas of the county. The formula for the distribution of Public Service Grants will be reassessed in 2004.

Leveraging Match

CTED will evaluate and analyze each proposal for HOME and ESGP funds to ensure that a minimum federal subsidy is being used to develop each project and that federal funds will effectively leverage additional resources. Each proposal will be required to describe sources and uses for all project financing and to provide a line-item development budget and/or an operating pro forma. CTED will look for opportunities to leverage other non-federal funds, if available, and to use other federal subsidies identified for development and on-going operations, if appropriate. For example, in HOME, other federal subsidies will be used if such subsidies help to maintain affordable housing projects by providing sufficient reserves for both replacement and operating costs.

HOME eligible match sources will be tracked on a project basis and reported annually. Match sources can include state HTF, Energy Matchmakers, Bonneville Power Administration and

other utility funds when targeted to HOME-eligible activities and meet HOME match requirements.

Matching requirements for ESGP will be met by funds identified by local jurisdictions that are committed to housing and services for the homeless.

While the CDBG Program has no match requirements, leveraging is strongly encouraged through the rating and selection process. The current program year average for the period since 1995 provides a leveraging rate that is over two to one. In program year 2002, contract awards totaling \$18,599,802 leveraged over \$40,669,181 of other funds.

Geographic Distribution

The major geographic distinction that affects the allocation of funds is between the state's major urban centers, most of which are also participating jurisdictions for HOME funding and formula jurisdictions for ESGP funding, and the smaller cities and rural areas of Washington. The urban centers, especially the Seattle-Tacoma metropolitan area, have a number of strong, experienced, non-profit housing developers and advocates. These cities have been able to raise local funding for housing and to develop innovative projects and programs.

In smaller cities and rural areas, excellent work has also been done especially with the help of technical expertise provided by CTED. The WSHFC policies encouraging the use of single-family mortgage revenue bond programs and tax credits in rural areas have also provided increased capacity in small cities and non-metropolitan counties. However, capacity building remains a major need in these areas. Local coalitions and non-profits need assistance in all stages of housing development; that is, getting organized, assessing needs and market, raising operating funds, putting together project financing, managing construction, and managing completed projects. State funding has been available for capacity building, but only in very limited amounts.

Funding for housing development in small cities and rural areas will be made available by:

- Targeting 30 percent of the funds in the state's Housing Trust Fund to rural areas.
- Prioritizing the allocation of HOME funds to those areas of the state that do not receive other allocations of HOME funds.
- Continuing to use state CDBG programs to support housing planning and development in non-entitlement jurisdictions.
- Continuing to use ESGP in non-participating jurisdictions.
- Continuing WSHFC policies that encourage the use of single-family mortgage revenue bonds and tax credits in small cities and rural areas of the state.
- Using 100% of HOPWA formula allocation funds in jurisdictions that are not part of major metropolitan areas currently receiving HOPWA allocations directly from HUD.
- Distributing funds from the state's Emergency Shelter Assistance Program (ESAP) and THOR by formula allocation to all 39 counties.
- Allocating formula funds for federally funded weatherization services to 26 agencies serving all counties.

Aside from these funding targets, CTED does not set aside funds for particular regions at this time. CTED's experience has been that open funding programs or programs using competitive funding criteria serve the state best by allowing each area to organize and develop those projects that meet local needs. As a result of this policy, the CDBG Program has successfully provided funds in traditional low-income areas of the state such as the Yakima Valley, as well as resource dependent areas such as Grays Harbor, Pacific, and Okanogan Counties.

The WSHFC does set aside funds for particular categories of projects. For example, 15 percent of the per capita annual tax credit authority is set aside for projects located in one of 21 identified rural counties. The set-aside is intended as a means to address the priority needs of the state. Additionally, ten percent of the per capita annual tax credit authority is set aside for qualified nonprofit organizations.

Distribution of Funds to Address Priorities and Objectives

The highest priority will be dedicated to very low-income renter and homeowner households (those households earning 50 percent of median income or less) and paying more than 30 percent of their incomes for housing costs, as well as those people who are homeless. CTED has not identified any low priority activities, since we want to be supportive of any other community level efforts to respond to housing needs even if there are no federal or state funds currently available.

To address the above mentioned priority needs, CTED targets services and projects to very low-income households in the HOME program, and emergency shelter for people who are homeless in the ESGP programs.

As for meeting the objectives that were developed in response to the plan's needs and priorities, CTED uses a variety of mechanisms, including:

- Set-asides for specific activities, such as projects that serve people who are homeless, survivors of domestic violence, farmworkers or people with developmental disabilities.
- Formula-driven allocations, such as those used in ESAP, the Home Repair and Rehabilitation Program and Weatherization Program.
- Competitive application processes, such as the HTF, HOME and CDBG.

The CDBG Program supports priorities determined by local governments, especially when they:

- Address needs of low- and moderate-income persons;
- Are consistent with local comprehensive plans;
- Demonstrate potential for long-term positive impact;
- Address the root causes of economic distress;
- Encourage business development;
- Eliminate clear threats to public health and safety;
- Revitalize housing and neighborhoods;
- Plan for the needs of low- and moderate-income persons; or,
- Provide needed public services to low- and moderate-income persons.

CDBG addresses the priority needs in two ways: by setting aside funds for specific activities, and by establishing rating criteria that allow priority projects to be funded. Public Services Grants

help address the root causes of poverty and provide needed public services to low- and moderate-income persons. Planning-Only Grants help plan for the needs of low- and moderate-income people while supporting local priorities and establishing consistency with local comprehensive plans. The Community Investment Fund works as a partnership between local governments and federal and state agencies through the Washington Community Economic Revitalization Team (WA-CERT). General Purpose Grants focus on providing assistance to local governments wishing to reduce financial burden to low- and moderate-income persons, eliminate clear threats to public health and safety, and revitalize housing and neighborhoods.

Development of Performance Measures

Washington State intends to develop a new Consolidated Plan that will serve to guide the state's housing and community development activities over the 5-year period, 2005 to 2009. This will include a new system for measuring program performance. The State's current Consolidated Plan has an extensive list of strategies, initiatives, and performance measures that has been difficult to implement and track. We concluded we needed a more focused plan with a more manageable list of activities and a sustainable system of collecting and evaluating performance data. As we work on the new Consolidated Plan, we will maintain our focus on the following key goals and performance measures.

- Goal 1. Provide safe, decent affordable housing targeting households earning up to 80 percent of the area median income.
 - Create 2,450 units of affordable housing and 3,000 beds for farmworker seasonal housing annually.
 - Preserve 4,541 existing units of affordable housing through applying energy efficiency and related measures annually.
 - Provide 1,225,000 bed-nights of shelter for people who are homeless.
- Goal 2. Promote housing opportunities that contribute to the development of healthy, sustainable communities.
 - Increase Washington State's homeownership rate to national average.
- Goal 3. Affirmatively further fair housing in Washington State.
 - Provide a notice to all contractors of the fair housing rules and regulations and their responsibilities in promoting fair housing.
 - Annually, offer housing workshops on actions to eliminate impediments to fair housing and limit predatory lending practices.
- Goal 4. Remove or mitigate the negative effects of policies that serve as barriers to affordable housing.
 - Encourage models of affordable and attractive high-density residential projects in urban growth areas that can be replicated statewide.
 - Reduce barriers to creating affordable housing because of increasingly high insurance rates.
- Goal 5. Enhance coordination.
 - Improve information and communication systems to promote knowledge exchange and to provide internal and external users with accessible,

accurate and timely data.

- Goal 6. Ensure available resources are allocated to projects that are ready to proceed in order to maximize the utility of available funds.
- Shorten the length of time taken to move an application funded by a Community Development Block Grant from contract execution to closeout. (The current baseline is 3.1 years; the target is two years.)
- Goal 7. Ensure the Community Development Block Grant resources are used for eligible activities that will make a difference in the lives of people and communities that are most in need on a comparative basis.
- Increase the average composite score of projects funded by a CDBG to 85. (The current baseline, 76, is the average for the previous three years.)

Using a variety of means, both informal and formal, we will take the next 6 to 10 months to discuss and further refine our goals, strategies, and performance measures, in consultation with stakeholder groups and other interested parties.

We want the new performance measures and new system of collecting and evaluating performance data to ultimately cover all state and federally funded housing and community development programs administered by CTED. However, the new system will likely be implemented in incremental stages since we have several existing databases and reporting practices that will need to be examined and modified, as necessary. CTED will ensure that a workable transition plan will be part of the overall effort.

General Guidelines

Reallocated Funds

Reallocated funds are those that HUD has recaptured from a grantee and reallocated to the state. Reallocated funds that are received by the state with the annual grant will be made available to eligible jurisdictions through the 2004 funding distribution in accordance with the method of distribution described in this statement.

Recaptured Funds

Recaptured funds are those which are de-obligated by the state from local service providers and redistributed to ensure the maximum and best use of resources. It is CTED's policy to recapture (de-obligate) unspent grant dollars when it is clear that the recapture will not prevent a grantee from completing approved activities. Resources that are not used within established timeframes may be recaptured.

Program Income

Program income is any income generated from the use of CTED allocated funds, such as, proceeds from disposition of property, loan repayments with interest, and proceeds from sale of loans. All program income accrued while a contract is still open and active must be used prior to drawing additional program funds from the state. Program income from active contracts must be accounted for on each reimbursement request. Income earned by the grantee as a result of project activities after project completion and after administrative closeout, retains its federal identity and must be reported to CTED annually if it exceeds \$25,000 in any calendar year.

2004 HOME PROGRAM

The 2004 HOME Program will be designed to address the five-year Strategic Housing Plan priorities: housing supply for agricultural workers, maintaining housing options for persons with special needs, repair and rehabilitation of existing low-income housing stock, rental assistance, first-time homebuyers, new construction, and acquisition of rental housing. First time homebuyer projects will be funded with state capital funds rather than HOME funds. Non-profit organizations, local governments, and Public Housing Authorities (PHA) will be able to apply to CTED for HOME funds.

Allocation of HOME Funds

- Ten percent of the HOME funds will be used for administrative expenses, as appropriate by program.
- Fifteen percent of HOME funds will be allocated to projects developed by Community Housing Development Organizations (CHDOs).
- At least fifteen percent will be used for Tenant-Based Rental Assistance (TBRA)
- Twenty-five percent will be used to fund the Home Repair and Rehabilitation Program (HRRP, *formerly Minor Home Repair Program*).
- The balance of HOME funds will be made available for all HOME-eligible activities with the exception of first time homebuyer projects, through a common application to the state's HTF programs and HOME.

Geographic Allocation and Priorities

CTED will distribute its HOME funds statewide, with some targeting for specific HOME activities:

- Tenant-Based Rental Assistance (TBRA)- Funds will be targeted to households in areas of the state not served by local HOME participating jurisdictions (PJ).
- Housing Repair and Rehabilitation (HRRP) – HRRP funds are allocated on a formula basis to agencies serving non-participating jurisdictions (i.e. jurisdictions not receiving HOME funds directly from HUD). Agencies that include Participating Jurisdictions (PJ) within only part of their service area are eligible to receive a formula allocation; however, the allocation is based upon the proportion of low-income households located only within the non-PJ portion of their service area and the funds may only be used in the non-PJ area.
- Rental Housing - Funds will be awarded to projects statewide, including those located in local HOME PJ and CDBG entitlement jurisdictions. Such funds are awarded in conjunction with state Housing Trust Fund (HTF) awards to allow the award of HOME funds based upon project need, design and financial feasibility and organizational capacity. OCD will consult with local governments to coordinate the award of local and OCD HOME funds, when necessary.

HOME Programs

Home Repair and Rehabilitation Program (HRRP)

Activity:

HOME dollars will be used in conjunction with state, private, and federal weatherization and rehabilitation funds to perform:

- Up to \$2,000 for emergency repair.
- Energy efficiency, health, and safety improvements.
- Minor home repair to moderate rehabilitation.
- Substantial rehabilitation.

Eligibility:

- Single-family, owner-occupied dwellings.
- Owners' incomes may not exceed 50 percent of the median income for their area.
- Property values after rehabilitation may not exceed 95 percent of the area's median purchase price.

Standards: Upon completion, each project must meet the HRRP Rehabilitation Standards established by CTED, except when an eligible household has an emergent need, such as a broken or leaky water heater, and the service provider:

- Must postpone complete repair and weatherization service to a later date; or
- The client's home has been previously served for energy efficiency and repair and it already meets HRRP Rehabilitation Standards.

Minimum rehabilitation investment will be \$1,000 and maximum will be \$24,999. In 2003, policies to allow occasional substantial rehabilitation will be developed. The objective of this program is to coordinate moderate rehabilitation and energy conservation to better meet the needs of low-income households in a cost-effective manner.

HRRP Fund Distribution: Only existing weatherization providers (community action agencies, housing authorities, and local governments) will be eligible to apply for these grants. At least 80 percent of HRRP funds will be allocated by formula to weatherization providers not located within participating jurisdictions. Any remaining funds may be made available on a competitive basis to all weatherization providers; however, preference will be given to agencies in non-participating jurisdictions.

Tenant Based Rental Assistance

Activity: The Tenant Based Rental Assistance (TBRA) Program will provide rental assistance to targeted households in need through local qualified eligible organizations.

The client-targeted groups are:

1. Foster children in transition, ages 18-20.
2. Special needs populations.
3. Farm workers who are seeking permanent year round rental housing.
4. Households transitioning to self-sufficiency.
5. Pregnant or parenting youth.
6. Homeless families with children.

Eligible Applicants: Eligible applicants are units of local government, public housing authorities and nonprofit community-based organizations. Applicants must have recent experience administering a state or federally funded rental assistance program, or may contract with an experienced organization or technical assistance provider to administer the program.

Eligible Clients: Eligible clients are individuals or families whose incomes are at or below fifty percent (50%) of the median household income (as determined by HUD) for the county or standard metropolitan statistical area where the program is located.

Payments: Rental assistance will be provided through an assistance contract between the property owner and the TBRA contractor and a rental lease between the property owner and the assisted client household.

Monitoring: CTED will monitor the progress of the program through data and documentation collected in the monthly vouchersing process, periodic program reports, and periodic on-site monitoring visits to each TBRA contractor.

Contract Terms: The term of the rental assistance contract with an eligible client will not exceed 24 months. The contract will begin on the first day of the term of the lease and will terminate on the last day of the lease or the last day of the 12th month of assistance. All leases must comply with the requirements specified in section 92.253 of the federal rules (24 CFR Part 92).

Rent Reasonableness: TBRA contractors will be required to certify that rents are reasonable before they approve a household's unit for rental assistance according to the Code of Federal Regulations, 24 CFR 882, 106 (b), and Chapter 6-5, HUD handbook 7420.7, Public Housing Agency Administrative Practices Handbook for the Section 8 Existing Program.

Maximum Subsidy Amounts and the Rent Standard: The monthly housing assistance payment paid on behalf of a household may not exceed the difference between the rent standard for the unit size established by the TBRA contractor and 30 percent of the household's adjusted monthly income. The rent standard may not be less than 80 percent of the published Fair Market Rent (FMR) for the unit size in the administering agency's area, or more than the FMR for the area.

Housing Quality Standards: Housing units occupied by an individual or family receiving rental assistance must comply with the Housing Quality Standards (HQS) performance and acceptability criteria set forth in Section 982.401 including lead-based paint requirements. Each unit must be inspected when a new client household moves in, and at least annually by a certified HQS inspector.

Fund Distribution: Funds will be awarded through a competitive application process which allows applicants flexibility to design their programs provided they are in compliance with the requirements of the HOME Investment Partnerships Program Final Rule 24 CFR Part 92 and with any additional requirements specified by CTED.

New Construction

Activity: Construction funds will be used for new and recently completed housing projects. The maximum per-unit cost may not exceed HOME maximum per-unit subsidy amounts. Minimum length of commitments will be 40 years (longer than the 20-year HOME requirement). Newly constructed housing will meet Washington State Energy Code, which is more restrictive than the Model Energy Code.

Fund Distribution: The target population is households at or below 50 percent of the local area median income level. Funds will be distributed through a competitive application process, administered in tandem with the state HTF programs, that uses specific criteria to evaluate projects in four basic areas: needs of target population; financial feasibility; organizational capacity; and project design. Applications are accepted semi-annually. The process provides substantial opportunity for technical assistance in the preparation of the proposal, allows maximum flexibility in the use of funds, and is, therefore, most responsive to local needs. HOME dollars will be used for grants, deferred and amortized loans, and will be administered directly by the local government, housing authority, or non-profit receiving the funds. CTED will be responsible for approval of all project draws through the certification of signed progress reports, building official inspections, or architect certificates of completion.

Acquisition

Activity: These funds will be used for acquisition and project-specific pre-development activities, including, but not limited to, architectural, engineering and legal fees, and acquisition of buildings not in need of rehabilitation. Acquisition subsidies and property values cannot exceed HOME limits. Minimum length of commitment will be 40 years (which is significantly longer than the HOME regulations). All units will meet, at a minimum, HQS, Americans with Disabilities Act (ADA) requirements, applicable Section 504 and Fair Housing Act requirements, and all applicable local codes, ordinances, and zoning codes.

Fund Distribution: Refer to New Construction Section

Moderate and Substantial Rehabilitation

Activity: These funds will be used for rehabilitation of substandard or vacant dilapidated single and multifamily rental structures. Rehabilitation subsidies and property values will not exceed HOME limits. Minimum length of commitment will be 40 years.

All units will meet, at a minimum, HQS, HRRP Rehabilitation Standards, Americans with Disabilities Act (ADA) requirements, applicable Section 504 and Fair Housing Act requirements, and all applicable local codes, ordinances, and zoning codes.

Fund Distribution: Refer to New Construction Section

Community Housing Development Organizations

Activity: CHDOs will use HOME funds for HOME-eligible housing they develop, sponsor, or own.

Role of CHDOs: Community Housing Development Organizations will play a strong role in the HOME program. Washington State is fortunate to have a significant number of nonprofit

housing developers who meet the CHDO requirements, including a network of community action agencies throughout the state. CTED has certified 25 non-profit developers as CHDOs. CTED will continue its solicitation efforts during the 2004 program year.

Affirmative Marketing Procedures

Subsection 92.341 of the HOME regulations requires affirmative marketing of the housing units assisted with HOME funds. CTED will extend this requirement to all rental units assisted, not just developments of five units or more.

As part of the application process for HOME funds, each proposal must describe the methods of affirmative marketing that will be undertaken as part of the HOME-assisted project.

CTED will take the following actions to provide information and otherwise attract eligible persons from all racial, ethnic, and gender groups in housing market areas to housing that is assisted by the HOME program funding:

1. All correspondence, notices, and advertisements related to HOME funds will contain either the Equal Housing Opportunity logo or slogan.
2. CTED will require participants in the HOME program to use affirmative fair housing marketing practices in soliciting renters or buyers, determining their eligibility, and concluding all transactions. Any HOME-assisted housing must comply with the following procedures for the duration of the applicable compliance period:
 - Project sponsor advertising of vacant units must include the Equal Housing Opportunity logo or statement. Advertising media may include newspapers, radio, television, brochures, leaflets, or may involve simply a sign in a window.
 - The project sponsor will be required to solicit applications for vacant units from persons in the housing market who are least likely to apply for HOME-assisted housing without benefit of special outreach efforts, including placing advertisements in minority-specific media.
 - The project sponsor must maintain a file containing documentation of all marketing efforts (copies of newspaper ads, memos of phone calls, copies of letters, etc.). Records to assess the results of these actions must be available for inspection by CTED.
 - The project sponsor must maintain a listing of all tenants residing in each unit at the time of application submittal through the end of the compliance period.
 - CTED will assess the affirmative marketing efforts of the project sponsor by comparing predetermined occupancy goals (based upon the area from which potential tenants will come) to actual occupancy data that the project sponsor is required to maintain. Outreach efforts on the part of the owner will also be evaluated by reviewing marketing efforts. Corrective action will be required of project sponsors if affirmative marketing requirements are not followed.

Minority and Women Owned Business Outreach

Title 24 of the Code of Federal Regulations (CFR) Subpart H, Subsection 92.351 (b)(5), requires the encouragement and use of minority and women-owned business enterprises in the implementation of HOME program activities.

Executive Orders 11625, 12432, and 12138 will provide the basis for the State of Washington's outreach and monitoring efforts to ensure that minority and women-owned enterprises are used to the greatest extent possible to provide services, materials, contractors, and other affiliated professions and occupations associated with all HOME-supported programs.

CTED will require funded applications, by contractual language, to undertake direct affirmative outreach measures to ensure the greatest possible opportunity for minority and women-owned businesses to compete for contracts within each phase of a HOME-funded project. This will include, but not be limited to, realtors, appraisers, lenders, architects, contractors, and property management firms. The current listing of certified minority and women-owned businesses is readily available from the state's Office of Minority and Women's Business Enterprises. This listing will include all project-specific relevant professions and occupations within the geographic region where the project will be implemented.

Examples of bid advertisements and notices will be provided to HOME project sponsors to ensure ease of implementation and consistency of approach in the outreach efforts. Project sponsors will be encouraged to place advertisements in minority- and women-specific media whenever possible.

To maintain statistical data on outreach, use and participation of minority and women-owned businesses as contractors and subcontractors in HOME-assisted projects, sponsors will be required to identify firms contacted, bids received, contracts let, and dollars provided to such firms. Each HOME project sponsor will be provided the format for such reports to ensure consistency and ease of monitoring.

Every HOME contractor will be monitored and evaluated at contract closeout for this information as well as the associated back-up files and documentation. In addition, CTED will reserve the right to conduct on-site inspections and interviews to confirm the use of minority and women workers during the course of project completion.

2004 EMERGENCY SHELTER GRANT PROGRAM

Allocation of Funds

The Emergency Shelter Grants Program (ESGP) funds will be made available to non-formula jurisdictions in the balance-of-state program areas served by CTED. The unit of general local government in which the proposed activities are to be located must certify that it approves the application and the proposed activities must be for eligible activities.

The Federal Fiscal Year 2004 allocation to Washington State will be approximately \$1,000,000. Applications will be solicited from all the eligible non-formula areas. The eligible non-formula areas are all cities and counties in the state of Washington except for the City of Seattle, City of Tacoma, City of Spokane, Snohomish County, King County, and Pierce County.

In an effort to unify and streamline state support of emergency shelter programs, ESGP funds will be allocated to eligible areas that submit complete applications based on a formula similar to the one used by the state ESAP. ESAP distributes funding based on poverty and unemployment statistics, and provides a base level of funding to everyone.

To reduce the abrupt funding changes that a switch to a pure poverty/unemployment funding formula would cause, the formula will also include provisions to limit the percentage change in funding from the previous year. This will reduce the disruptions that would be caused by sudden funding changes.

Application Requirements

All applicants must have a Continuum of Care plan in place or have started to develop a plan in order to receive ESGP funds. Each applicant will need to submit an application that describes the types of activities that will be undertaken, the agencies who will provide services, and the budget for each participating agency. Each application will need to contain the following information:

- A clear statement of need for the use of allocated funds.
- An explanation of how proposed activities are consistent with the Continuum of Care plan.
- A clear description of activities, a cost-effective budget and a schedule.
- A list of program outcomes for each component or activity.
- The most recent audit for the lead agency contractor.

CTED will reserve the right to reduce or to redistribute a county's allocation, if insufficient information is provided in the application, ineligible activities are proposed, or if the lead agency contractor lacks a demonstrated capacity to administer the ESGP contract.

Eligible Activities

In an effort to integrate the state Emergency Shelter Assistance Program (ESAP) and the ESGP, the use of ESGP funds will be limited to providing operating support and essential services for emergency shelters. Since homelessness prevention services may be provided by ESAP and capital projects may be funded by the state's Housing Trust Fund program, the greatest need for ESGP resources has been to provide operating support and services for emergency shelters. Applicants may choose to fund one activity or a combination, depending on the priorities in their local Continuum of Care plan.

Grant Awards

CTED will award grants and make funds available to approved applicant organizations within 65 days of HUD's approval of Washington State's application. The approved applicant organization may be a private, non-profit organization, a public housing authority or a local government serving as a lead agency contractor for the county. As the lead agency, the contractor will pass funds through to participating agencies in the county to provide eligible housing and homeless services.

Recaptured Funds

CTED will make any recaptured amounts available to other units of local government or non-profit organizations in non-formula areas as soon as possible after funds have been returned. There are two criteria for the distribution of recaptured funds: (1) the extent to which the applicant demonstrates an immediate and critical need for assistance in serving the homeless; and, (2) the extent to which the applicant can demonstrate the ability to use the funds promptly.

2004 HOUSING OPPORTUNITIES FOR PEOPLE WITH AIDS PROGRAM (HOPWA)

Allocation of Funds

Funding will be distributed to Washington State's AIDSNET regions based on the number of surviving AIDS cases in each county as reported by the Department of Health. CTED will reserve the right to adjust or redistribute a region's allocation if ineligible activities are proposed, insufficient information is provided in the application, or if an appropriate lead agency is not identified to administer the HOPWA contract in the local area. Counties that already receive formula allocations as an eligible metropolitan area (King, Snohomish, Island, and Clark as part of the Portland EMSA) will be excluded from this process.

Geographic Network

Service providers in each AIDSNET region will be responsible for collaborating in the selection of a lead agency for their region. The lead agency will organize a local process to decide how the regional HOPWA allocation will be used and which project sponsors will be selected to provide services. CTED will contract with the designated lead agency that will be responsible for passing funds through to the local project sponsor.

Eligible Activities

Eligible activities will be all those allowable under the HOPWA guidelines, including facilities and community residences, rental assistance, short-term payments to prevent homelessness, technical assistance, supportive services and other activities, subject to the standards and limitations provided in the regulations at Rule 574.300(b).

2004 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Program Mission

The mission of the Community Development Block Grant Program (CDBG) is to improve the economic, social, and physical environment of eligible cities and counties in ways that enhance the quality of life for low- and moderate-income residents.

Review Process for Funding

CDBG staff members use three levels of criteria to determine whether or not a grant will be made to a local government for a proposed project. First, staff must determine a project is an eligible activity according to the federal statutory requirements that govern the program and that the project meets one of three "national objectives" listed below. Second, staff reviews the proposed project to determine whether or not it meets the conditions for funding that have been established by state program policy. Based upon experience, these conditions have proven to be indicators of a successful project. Third, staff determines how a project fits the overall program's priorities as established by rating and review processes that are specific to each of the state's separate CDBG grant funds. The criteria for each level of review are:

Eligible Activities:

All CDBG-funded projects must be an eligible activity according to Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended.

National Objectives:

An eligible project must meet at least one of the following three federal (HUD) requirements:

1. Principally benefit persons with low- to moderate-income;
2. Prevent or eliminate slums or blight; or
3. Address an urgent community development need, which poses a serious and immediate threat to health and safety.

The CDBG Program is designed to principally benefit low- and moderate-income persons by providing grants to cities and counties and will ensure that not less than 70% of the CDBG funds received by Washington State during the past three years will be used for activities that benefit persons of low- and moderate-income.

Conditions for Funding:

According to program policy, funds are awarded for eligible projects that meet the following conditions:

1. There is a compelling need for public assistance;
2. A feasible technical solution to the problem or opportunity being addressed has been identified and agreed to by affected citizens, the local government and the appropriate regulatory agencies;
3. The project is ready to proceed and will make timely use of the funds;
4. There is a clear and feasible plan for implementing the project and maintaining its operation into the foreseeable future; and

5. There is credible evidence that the results will be commensurate to the amount of public funds requested.

Funding Priorities:

In order to be funded, a project must rank high in comparison to other similar projects on a state and local level using the following priorities:

1. The project addresses a public health and safety issue; or
2. It improves essential services to low- and moderate-income persons; or
3. It completes a necessary and specific step in a broader community development strategy.

Allocation of Funds

CDBG resources will be distributed to eligible non-entitlement communities through the programs and funds listed in Tables 3-3D on pages 30-31.

The state's CDBG allocation for 2004 is divided into seven funds or programs, each of which uses a different method of distribution:

- The Community Investment Fund distributes resources in support of locally identified projects that have emerged through the Washington Community Economic Revitalization Team priority process (WA-CERT), or the Federal Rural Enterprise Initiative. Funded projects provide benefits to low- and moderate-income individuals through projects that are also significant on a sub-state, regional or countywide basis in terms of economic diversification and community stability. Project selection is made on a funds available basis, using a collaborative process that includes federal, state, and local funding sources. Award decisions require the review and approval of CTED's Resource Team.
- The General Purpose Program distributes funds to eligible jurisdictions following an annual statewide competitive application process.
- Housing Enhancement Grants are available to combine with loans from the state's Housing Trust Fund (HTF) for activities that are essential to a project's success but that cannot be funded using other resources. Housing Enhancement Grants are also available for projects that support permanent and temporary shelter options for migrant farm workers. Applications and award decisions are made in coordination with the HTF Program's funding cycles.
- The Housing Rehabilitation Grant Program will coordinate with the General Purpose Grant application cycle to identify eligible housing rehabilitation applications for funding. Then additional housing rehabilitation applications for funding will be reviewed throughout the year, in coordination with the partner housing rehabilitation funding programs in CTED, and assisted on a funds available basis.
- Planning-Only Grants (POG) are available throughout the year on a funds available basis to eligible jurisdictions to plan the implementation of priority projects that principally benefit low- and moderate-income persons. Award decisions require the review and approval of CTED's Resource Team.
- Public Service Grants are distributed using a funding formula to eligible counties that in turn rely upon Community Action Agencies as subrecipients for administration and service delivery that benefit low-income individuals.

- A Contingency Fund is reserved to provide supplemental funding for projects that have unforeseen needs and for Imminent Threat Grants to jurisdictions that are facing urgent needs beyond their ability to address with potential impacts on public health and safety. Awards are made on a funds available basis. Funds that remain unused (not obligated to grantees) or are recaptured at the end of the program year are carried over to the next program year's Contingency Fund.

Below is a table that shows how CDBG funds were allocated and obligated in 2003 (as of November 2003) and the resulting number of projects. Based on these successful outcomes and the anticipated amount of funds available for 2004, the table summarizes the anticipated number of projects to be funded in 2004.

TABLE 2:

SUMMARY OF FUNDS ALLOCATED AND NUMBER OF PROJECTS						
CDBG Fund	2003 Funds Allocated	2003 Funds Obligated (as of 11/03)	2003 Number of Projects (as of 11/03)	2004 Funds Allocated	Anticipated Use of Contingency Funds	2004 Anticipated Number of Projects
Community Investment Fund	\$4,845,000	\$3,275,000	5	\$4,500,000	\$2,500,000	7
General Purpose Grant	7,168,225	\$7,168,225	15 (including Hsg. Rehab)	\$8,000,000	\$2,700,000	15
Housing Enhancement Grant	\$1,000,000	0	0	\$1,185,000	\$1,500,000	5
Housing Rehabilitation Grant Program	N/A	N/A	N/A	\$1,000,000	\$2,500,000	7
Planning-Only Grants	\$400,000	\$ 321,000	14	\$500,000	\$100,000	15
Public Service Grant	\$1,775,000	\$1,775,000	15	\$1,775,000	N/A	15
Imminent Threat Grant	\$400,000	0	0	\$400,000	N/A	1
Float-Funded Activities	\$20,000,000	\$3,094,850	4	\$20,000,000	N/A	4

Fund-Specific Program Information

Complete descriptions of each specific program or fund, including application requirements, eligibility guidelines, methods of funding distribution and award processes begins on page 32.

The actual projects to be funded in 2004 will be guided by the eligibility guidelines and selection criteria described in the 2004 application materials for the CDBG General Purpose, Housing Enhancement, Community Investment Fund, Housing Rehabilitation, Imminent Threat, Planning-Only and Public Service Grant Programs. In addition, information is available in the 2004 Rural Washington Loan Fund (RWLF) Guidelines, the Section 108 Loan Guarantee Guidelines, and the CDBG Float-Funded Activity guidelines.

Funding Limits for Specific CDBG Activities

There are four statutory limits on the amount a state can spend for specific eligible activities under the CDBG program. The state is not allowed to use any more than two percent plus \$100,000 of its total annual award for program administration carried out by state staff in operation of the program, or one percent of its annual resources for any eligible aspect of technical assistance conducted by state staff. These limits have been in effect since 1982.

In addition, the state is also restricted from using any more than 15 percent of its annual allocation for public service activities, and 20 percent for planning activities (including administration carried out by the state). Eligible activities for CDBG public service and planning resources are described below.

CDBG Public Service Funds

The state CDBG Program can respond to locally-determined public service priorities through a variety of methods, including technical and financial assistance. Financial assistance for public service activities can be accessed as:

- Part of a comprehensive CDBG grant in support of a larger project, such as a community facility or housing project;
- A Community Investment Fund Grant or Housing Enhancement Grant for a new public service or a quantifiable increase in a public service;
- An Imminent Threat Grant in direct response to an urgent public health and safety need; or,
- A stand alone Public Service Grant to a community action agency through an eligible county.

The state will ensure that the annual aggregate funding committed to public service activities will be no more than 15 percent of its annual award.

The purpose of funding local public service activities is to:

- Encourage the creation or substantial enhancement of comprehensive public services integrated with local programs and agencies to benefit low- and moderate-income persons.
- Reduce poverty, revitalize low-income communities and empower low-income families and individuals in rural areas to become fully self-sufficient.
- Improve essential services to low- and moderate-income persons.

Examples of how public service dollars can be used by local governments and their subrecipients include:

- Operating and administration costs for vans that target service to low-income workers in under-served rural communities.
- Program administration costs for carpool management projects that eliminate transportation barriers for participants in Work First programs.
- First time homebuyer counseling for low-income families.

Since public service funds are limited, it is very important for local jurisdictions to coordinate development of application proposals that include public service activities with CDBG staff.

CDBG Planning Funds

The state CDBG Program can respond to locally determined planning priorities through a variety of methods, including technical and financial assistance. Resources for planning have most commonly been accessed by local governments and their subrecipients through the Planning-Only Grant Program (see program description starting on page 53).

Planning funds can be of significant benefit to local and regional projects. Some of the ways planning resources can be used are:

- For regional economic development purposes such as conducting an analysis of regional competitiveness issues, identifying key businesses, analyzing changing market characteristics and understanding a town, county or region's leading industries as a means of planning for specific ways of assisting job creation for low- and moderate-income persons.
- To conduct housing market studies for specific projects or activities that will assist low-income persons.
- To conduct essential project planning that may include mediation and facilitation activities that are directly related to creating and completing a plan.
- Developing Capital Facilities Plans for communities that have populations comprised of 51% or greater low- and moderate-income persons.

In addition to allocating CDBG funds for planning as stand alone Planning-Only Grants, from time-to-time it is critical to a project's success to have a planning element that is integrated with construction activities as part of a General Purpose, Community Investment or Housing Enhancement Grant. For example, some projects benefit from involvement of tenants, families or workers in the final stages of a projects completion as a means of maximizing the success of a facility or housing design. In other circumstances, where there is concern on the part of the state in the overall readiness or capacity of a local jurisdiction or its subrecipient to carry out a project, additional funds allocated for planning may be a contingency of providing funds for a project. In these circumstances, CDBG staff will negotiate with the prospective local government jurisdiction as to the amount and type of additional planning resources that will be allocated. Guidance for determining the allocation for planning will be derived from the funding program's rating and selection criteria pertaining to project need and readiness.

All CDBG planning resources must be used for projects that will principally benefit low- and moderate-income persons. The state will ensure that the aggregate funding of these planning activities will stay within the state's 20 percent of HUD's annual award cap for planning and administrative costs.

Minimum Performance Standards

The Department of Community, Trade, and Economic Development (CTED) reserves the right to deny, review, or fund applications that include the involvement of jurisdictions or organizations with serious unresolved audit findings related to performance or capacity.

Further, CTED reserves the right to postpone project contracting or to deny funding if there is a significant problem with previous grantee performance. In such situations, the grantee is responsible for development and initiation of corrective action satisfactory to CTED. Upon request, CTED will provide technical assistance to the community to help ensure timely completion of approved project activities.

***Water Treatment Plant
Located in the City of Cle Elum
Funded by CDBG Community Investment Fund***



TABLE 3:

2004 COMMUNITY DEVELOPMENT BLOCK GRANT DESCRIPTION OF PROPOSED USES	ESTIMATED RESOURCES AVAILABLE
ADMINISTRATION See page 27.	\$460,000
TECHNICAL ASSISTANCE (1% of state grant) See page 27.	\$180,000
COMMUNITY INVESTMENT FUND The amount indicated will be available from the 2004 allocation for new grant awards. Additional monies from the Contingency Fund may be used for priority projects on a funds available basis. See page 32.	\$ 4,500,000
GENERAL PURPOSE GRANTS The amount indicated will be available from the 2004 allocation for new grant awards. Additional funds may be made available if the 2004 allocation exceeds \$18 million or the Contingency Fund may be used for priority projects on a funds available basis. See page 39.	\$ 8,000,000
HOUSING ENHANCEMENTS GRANTS The amount indicated will be available from the 2004 allocation for new grant awards. Additional monies from the Contingency Fund may be used for priority projects on a funds available basis. See page 44.	\$ 1,185,000
HOUSING REHABILITATION GRANT PROGRAM The amount indicated will be available from the 2004 allocation for new grant awards. Additional funds may be made available if the 2004 allocation exceeds \$18 million or the Contingency Fund may be used for priority projects on a funds available basis. See page 47.	\$1,000,000
IMMINENT THREAT GRANTS The amount indicated will be available for new grant awards. This level will be maintained with monies from the Contingency Fund on a funds available basis. The ultimate amount of funds obligated for Imminent Threat Grants may increase depending upon the amount of funds made available from the 2004 Contingency Fund. See page 50.	\$ 400,000
PLANNING-ONLY GRANTS The amount indicated will be available from the 2004 allocation for new grant awards. Additional monies from the Contingency Fund may be used for priority projects on a funds available basis. See page 53.	\$ 500,000
PUBLIC SERVICE GRANTS The amount indicated will be available for new grant awards. See page 58.	\$ 1,775,000
EST. TOTAL 2004 CDBG ALLOCATION	\$ 18,000,000

TABLE 3A:

CONTINGENCY FUNDS	ESTIMATED RESOURCES AVAILABLE
DESCRIPTION OF PROPOSED USES	
The Contingency Fund is the accumulation of recaptured/deobligated funds, remaining funds allocated to a grant fund that are unobligated at the end of the program year, and program income. These accumulated funds are carried over to establish the Contingency Fund for the next program year and made available for new grant awards as described in the individual fund sections of this Action Plan and on page 61.	
EST. 2004 CARRY-OVER CONTINGENCY	\$9,300,000

TABLE 3B:

SECTION 108 LOAN GUARANTEES	ESTIMATED RESOURCES AVAILABLE
DESCRIPTION OF PROPOSED USES	
The State of Washington will pledge its future CDBG resources, up to the amount of the 2004 CDBG Allocation, to secure Section 108 Loan Guarantees for CDBG eligible activities. Although this pledge does not immediately reduce the state's CDBG allocation, future reductions due to payment default may result in the reduction of the state's annual award. Reductions to the state's annual award will be absorbed by the contingency fund. Reductions in excess of the available balance within the contingency fund will be absorbed proportionally by all CDBG programs. Net reductions occurring in program year 2003 totaled \$444,876. See page 65.	\$18,000,000

TABLE 3C:

RURAL WASHINGTON LOAN FUND	ESTIMATED RESOURCES AVAILABLE
DESCRIPTION OF PROPOSED USES	
The RWLF Program exchanges state appropriated funds with CDBG funds. This exchange of funds does not reduce the state's CDBG allocation. This includes up to \$500,000 of additional resources that will be made available from the state's annual CDBG award if RWLF has exhausted its funds. See page 69. ** Includes \$558,000 set aside in state building fund for potential addition to the CDBG/RWLF lending pool.	\$ 6,500,000**

TABLE 3D:

CDBG FLOAT-FUNDED ACTIVITIES	MAXIMUM AVAILABLE
DESCRIPTION OF PROPOSED USES	
Float-Funded Activities are fully secured loans made in support of CDBG eligible economic and community development projects. The capital that is made available for Float-Funded Activities comes from unexpended CDBG awards to local governments. See page 72.	\$ 20,000,000

2004 COMMUNITY INVESTMENT FUND GRANT

CDBG Community Investment Fund Grants provide eligible jurisdictions the opportunity to access funds throughout the year for their priority community and economic development projects. Targeted technical assistance will be provided prior to and with each commitment of resources upon request. The commitment of resources will be reserved for high priority projects that are ready to proceed, need grant funding to be feasible and meet either the HUD National Objective of principally benefiting low- and moderate-income persons or the prevention/elimination of slums or blight.

Participating in the design and funding of community projects in this way represents a departure from the traditional competitive method of distributing grant funds. To facilitate this approach to project development, technical assistance will be provided to interested communities with high priority projects through the Washington Community Economic Revitalization Team (WA-CERT) scoping process and on-site visits. High ranked, unfunded applications will be “scoped” by members of the WA-CERT Economic Development Sub-committee and/or the CTED Resource Team to learn more about the project and determine the stage of readiness for the purpose of suggesting possible funding and appropriate technical resources, including the Community Investment Fund.

Eligible jurisdictions participating in the WA-CERT and the Rural Enterprise Community programs with a high ranked project (top 3 unfunded projects on the WA-CERT list) will be given priority funding preference. In each of these programs, projects have been identified and prioritized through an inclusive county-wide selection process. Applications will be accepted for projects that have been identified as regionally significant through a collaborative process that includes representatives from federal, state, and local governments.

Eligible jurisdictions can apply for CDBG Community Investment Funds and all other CDBG Program funds within the same program year.

Amount of Funds Available

A fund of \$4,500,000 has been set aside for the purpose of making Community Investment Fund Grants available to eligible local governments. Additional monies from the Contingency Fund may be used for priority projects on a funds available basis. Any remaining funds (not obligated) at the end of the program year will be carried to the next program year for use in the Contingency Fund.

Application Guidelines

Pre-Application Requirements

- A Community Investment Fund Grant pre-application is available upon request and may be submitted for review at any time.
- The project must be ranked within the top three unfunded projects on a county’s Washington Community Economic Revitalization Team’s (WA-CERT) list of priority projects, or be designated as a Rural Enterprise Community Area and included on the WA-CERT list. Pre-applications include a two-page project summary as required by the WA-CERT.
- Any funded Community Investment Fund project must meet a HUD National Objective of principally benefiting low- and moderate-income persons or the prevention/elimination of

slums or blight. “Principal benefit” is defined as at least a 51 percent of a project’s overall benefit will be to low- and moderate-income persons.

Application Requirements

- A Community Investment Fund applicant must meet the CDBG federal requirements for citizen participation and comply with the required federal and state certifications.
- The jurisdiction will receive Community Investment Fund application materials with their invitation to apply from the CDBG Program. The jurisdiction must submit an application that meets all application elements within 90 days of the invitation to apply. To be considered for funding from the current program year, the application must be received by December 31st of that program year.
- To be funded, a Community Investment Fund application must document principal benefit to low- and moderate-income persons or prevention/elimination of slums or blight. “Principal benefit” is defined as at least a 51 percent of a project’s overall benefit will be to low- and moderate-income persons.

Prevention/Elimination of Slums or Blight National Objective

Criteria for activities carried out in a Slum/Blight Area:

- Area must meet definition of slum/blighted area under state/local law;
- Substantial number of deteriorated/deteriorating buildings or public improvements throughout the area;
- Activity must address conditions contributing to deterioration; and
- Documentation is kept of boundaries of area and conditions that qualified the area at time of designation.

Criteria for qualifying activity as meeting Spot Slum/Blight designation:

- Activities must address specific conditions of blight/physical decay not in a slum/blight area;
- Activities limited to acquisition, clearance, relocation, historic preservation, building rehabilitation;
- Rehabilitation limited to elimination of conditions detrimental to public health and safety.

Eligibility Guidelines

Eligible Applicants

Any CDBG eligible non-entitlement jurisdiction that is participating in the federal Rural Enterprise Community Program or WA-CERT priority process is eligible to apply for a Community Investment Fund grant.

Eligible cities and towns are those with less than 50,000 populations or counties with less than 200,000 populations provided the cities, towns, and counties **do not** participate as members of HUD Urban County Consortiums.

Indian tribes and special purpose organizations, such as public housing authorities, port districts, water and sewer districts, community action agencies and economic development councils are not eligible to apply directly to the CDBG Program for funding. These projects may be eligible under CDBG if:

- A project will serve both an eligible local government's citizens and tribal members. If the boundaries of a project's service area involve both the local government and a tribal jurisdiction, the local government may apply for state CDBG funding on behalf of and in coordination with the Indian tribe.
- An eligible local government chooses to involve a special purpose organization in the operation of a project funded under the CDBG program.

Eligible Activities

A variety of public facilities, economic development, housing, and community facility activities are eligible for CDBG Community Investment Fund Grants. A complete listing of eligible and ineligible activities can be found in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended and 24 CFR 570.201.

The following two approaches to the use of Community Investment Funds under special circumstances may now be employed:

1. Special Activities by Community-Based Development Organizations; and
2. Community Revitalization Strategy Process

Special Activities by Community-Based Development Organizations

A jurisdiction may provide CDBG funds under a subrecipient agreement to a Community-Based Development Organization (CBDO) to carry out a neighborhood revitalization, community economic development, or energy conservation project as set forth at 24 CFR 570.204. To be considered an eligible CBDO a jurisdiction must meet the criteria as set forth under 24 CFR 570.204(c). Please contact CDBG staff for a copy of the regulation.

Community Revitalization Strategy Process

Beginning with the 2004 Washington State Action Plan, the CDBG Program will adopt the Community Revitalization Strategy (CRS) approach to the use of State CDBG resources by units of general local non-entitlement government. The Strategy Area concept represents a targeted approach to community development, requiring some critical mass of population density in order to be effective.

The CRS approach will be applicable to both the existing CDBG General Purpose Grant Program and the CDBG Community Investment Fund Grant Program. There will be no change to the CDBG rating and selection criteria. The Strategy must be approved by the State CDBG Program and will become a component of the threshold review process.

The CRS approach will allow the State CDBG Program to address disinvestment within a defined area that meets specific criteria. This area may be within a jurisdiction that has a low- and moderate-income percent of less than 51 percent. Currently such a jurisdiction would be unable to access CDBG funds for area benefit projects, even when the target area (within the jurisdiction) is over 51 percent low- and moderate-income.

The regulations that authorize the CRS process are as follows:

- 24 CFR 570.483(e)(5)(i) “Activities undertaken pursuant to the strategy for the purpose of creating or retaining jobs may, at the options of the grantee, be considered to meet the requirements of paragraph (b) of this sections under the criteria at Sec. 570.483(b)(1)(v)”
- 24 CFR 570.483(b)(1)(v) “HUD will consider activities meeting the requirements of paragraph (e)(5)(i) of this section to qualify under paragraph (b)(1) of this section, provided that the area covered by the strategy meets one of the following criteria:
 1. The area is in a Federally-designated Empowerment Zone or Enterprise Community; or
 2. The area is primarily residential and contains a percentage of LMI residents that is no less than 70 percent;” or
 3. All of the census tracts/block numbering areas in the area have at least a 20 percent poverty rate, and at least 90 percent of them have at least a 25 percent poverty rate; and the area in primarily residential.”
- 24 CFR 570.483(b)(1) “Area benefit activities.” Criteria for meeting HUD’s National Objective.

For a unit of general local government (jurisdiction) to implement the CRS approach, the following process may be used as an implementation guide:

- The target area must meet one of the three criteria under 24 CFR 570.483(b)(1)(v), as noted above;
- Once it is verified that one of the criteria has been met, the jurisdiction would prepare the required CRS;
- The completion of a CRS is an eligible activity and may be funded through the State’s CDBG Planning-Only Grant Program. In addition, it is encouraged that the target area strategy be linked to existing planning initiatives to avoid duplication of effort at the local level. The following is a list of common documents/initiatives to which a CRS might be linked:
 - Local strategic or comprehensive plans, including plans in compliance with the Growth Management Act;
 - “Certified economic development readiness” designations;
 - State Enterprise Zone designations;
 - State welfare reform and welfare-to-work programs;
 - Economic diversification initiatives in areas dominated by declining industries;
 - Main Street programs;
 - State-funded housing rehabilitation or housing development programs; and
 - State energy programs.

Essential components of the a CRS must include but are not limited to the following:

- A local strategy must identify the boundaries of the target area for which the strategy applies;
- The strategy target area must meet one of the following criteria:
 - The area is in a Federally-designated Empowerment Zone or Enterprise Community; or

- The area is primarily residential and contains a percentage of LMI residents that is no less than 70 percent;” or
 - All of the census tracts/block numbering areas in the area have at least a 20 percent poverty rate, and at least 90 percent of them have at least a 25 percent poverty rate; and the area is primarily residential.
- The State CDBG Program recognizes the importance of a flexible, long-term approach to revitalizing a target area. The Community Investment Fund Grant Program is available throughout the year on a funds available basis and is best suited to providing longer-term funding of targeted revitalization activities.
- The integration of other funding resources into the CRS approach, such as participation and funding from:
 - USDA Rural Development;
 - Private Foundations;
 - CTED’s Housing Division;
 - Housing Authorities;
 - Community Action Programs;
 - Religious Organizations;
 - Economic Development Organizations;
 - Main Street Programs; and
 - Local Governments.
- The bringing together of community and target area stakeholders to forge partnerships that:
 - Obtain commitments from community organizations to participate actively in the long-term revitalization initiative;
 - Make communities attractive for investments, thereby creating employment opportunities and the creation of profits;
 - Generate community participation at least equal to the CDBG Program’s Citizen Participation Requirements to ensure that the benefits of economic activity are reinvested in the community for long-term development;
 - Support the involvement of nonprofit intermediary institutions;
 - Foster the growth of resident-based initiatives to identify and address their housing, economic and human services needs;
 - Provide capacity to coordinate the delivery of various local, state and federal resources; and
 - Support initiatives to move unemployed people from public assistance into jobs.
- The assurance that local strategies include an assessment of the economic conditions of the area; an examination of the opportunities for economic development improvement; and an assessment of the problems likely to be encountered.
- The assurance that local strategies contain a realistic development strategy and implementation plan to promote the area’s economic progress, focusing on activities to create meaningful jobs for the unemployed and low- and moderate-income residents of the area as well as activities to promote the substantial revitalization of the area.
- The state will utilize the following two existing methods of grant evaluation and performance measurement to document measurable accomplishments:
 - The required final public hearing that occurs at the end of the contract period; and
 - The utilization of HUD’s Integrated Disbursement and Information System (IDIS).

For a specified target area, the Washington State CDBG Program has the option of requesting an exception to the 70 percent low- and moderate-income threshold or the 25 percent poverty rate threshold. Any exception would require both state and HUD field office review and approval. Exceptions are envisioned to be granted only for unusual circumstances, where strong targeting of benefits to low- and moderate-income residents can still be shown.

Ineligible Activities

As a general rule, activities that are not specifically identified as eligible in Section 105(a) of Title I of the Housing and Community Development Act of 1974 are considered to be ineligible. In addition, CDBG funds may not be used for general conduct of government business; to pay for lobbying activities, to purchase equipment, or to purchase, construct, or improve buildings used for the general conduct of government.

Method of Funding Distribution

The selection process for Community Investment Fund proposals consists of several stages including pre-application submittal; preliminary scoping and, if necessary, on-site meetings with the prospective applicant; invitation to submit application; threshold review; and project evaluation.

Pre-Application Submittal

- Pre-Applications may be submitted at any time.
- Pre-Applications will be reviewed on a first come first served basis.

Preliminary Scoping

A scoping agent will be assigned to conduct a preliminary review of the proposed project. During this period, the project will be reviewed, inspection made if necessary, and a preliminary assessment of the project's readiness to proceed and CDBG eligibility will be made. A project is "ready" when it has a well-defined scope, reliable budget, strong community support, and no problems that would prevent implementation soon after funds are committed.

CTED Resource Team

The CTED Resource Team will review all potentially fundable projects. A Discovery Form summarizing the project, priority ranking on the WA-CERT list, key contact, amount of funding needed, and secured accompanies each project considered by the Resource Team. When presented to the Resource Team, a decision is made as to the type of assistance to offer, including additional technical assistance or partial or full funding of the project as proposed.

Invitation to Apply

When the Resource Team recommends a project for funding, the CDBG Program sends a letter inviting the jurisdiction to complete and submit a final Community Investment Fund application. The jurisdiction will receive the Community Investment Fund Application Handbook with their invitation to apply. The jurisdiction must submit an application that meets all application elements within 90 days of the invitation to apply.

Threshold Review

- The application must document the project will meet a HUD National Objective of principal benefit to low- and moderate-income persons and/or the prevention/elimination of slum or blight.

- The applicant must meet the CDBG federal requirements for citizen participation and comply with the required federal and state certifications.
- The project proposed for funding must be an eligible activity, as outlined in this Action Plan.

Application Elements

Applications will consist of the jurisdiction's responses to the rating and selection questions used for the General Purpose Program Application. The applicant must also submit all required CDBG forms and certifications. The basis for which points are awarded will differ for each eligible program area (housing, economic development, public facilities, community facilities, and comprehensive). The evaluation criteria that will be used for each program area is listed within the 2004 General Purpose Application Handbook. Applicants must receive a minimum score of 65 points to be eligible for funding. The criteria used to rate Community Investment Fund applications is identical to the General Purpose Grant rating criteria listed on page 42 of this Action Plan.

Project Evaluation

Final Community Investment Fund applications will only be reviewed if the jurisdiction was invited to apply. All Community Investment Fund projects are reviewed on a first come first served basis. However, pending applications will be funded based upon relative need and as funds are available. Critical elements of the project evaluation process includes a determination that:

- The project is ready to be fully implemented;
- The project principally benefits low- and moderate- income persons and/or meets the HUD National Objective of prevention/elimination of slums or blight;
- The application meets the programs high score standard of 65 out of 100 points; and
- The project must be ranked within the top three un-funded projects on a county's Washington Community Economic Revitalization Team's (WA-CERT) list of priority projects, or be designated as a Rural Enterprise Community Area and included on the WA-CERT list.

Relationship between Community Investment Fund and other CDBG Funds

An eligible jurisdiction can apply for more than one type of CDBG funding within the same year. However, a jurisdiction cannot apply for more than one Community Investment Fund grant per program year. To be considered for funding from the current program year, the application must be received by December 31st of that program year.

2004 CDBG GENERAL PURPOSE GRANTS

General Purpose Grants are generally made available annually, on a competitive basis, to assist eligible cities, towns, and counties in carrying out significant housing, economic development, community facilities, public facilities, and comprehensive projects that principally benefit low- and moderate-income persons.

General Purpose Grants applications will be evaluated on their coordination and linkages with supporting activities and funds; the gap being filled with CDBG funds; the reduction of financial burden to low- and moderate-income persons; the project's readiness to proceed and overall community need.

Amount of Funds Available

Approximately \$8,000,000 of funding is available during 2004 for General Purpose Grants. Additional funds above the initial allocation of \$8 million dollars may be made available if the 2004 allocation exceeds \$18 million dollars. The Contingency Fund may also be used for priority projects on a funds available basis.

The maximum grant for General Purpose applications is \$1,000,000. The increase of the maximum grant amount from \$750,000 to \$1,000,000 is only for one year. An applicant's request for the maximum amount of \$1,000,000 will be thoroughly evaluated during the rating and selection process. The benefits of increasing the grant ceiling will be evaluated after the 2004 funding cycle and a decision made regarding continuance.

Application Guidelines

Applications must be submitted on or before November 20, 2003. An application is considered submitted if it is postmarked or hand-delivered on this date and contains all the elements necessary to pass threshold review. Applications postmarked or hand-delivered after this date will not be accepted. A list of applicants who are to receive 2004 General Purpose Grants will be published.

Application Requirements

- Each eligible jurisdiction may submit one General Purpose Grant application requesting up to \$1,000,000 in grant funds during the 2004 General Purpose Grant funding competition, except for projects that propose to use a majority of the funds requested for housing rehabilitation activities. General Purpose applications for housing rehabilitation are limited to \$500,000 per request.
- Grants consisting of more or less than the amount originally requested may be awarded at CTED's discretion based on discussions between CDBG Program staff and the jurisdiction. The preliminary notice of project selection does not imply approval of all activities or all costs proposed in the selected application.
- An applicant may request funds for a project in any one of five program areas: housing, economic development, community facilities, public facilities, and comprehensive. Each applicant must demonstrate that at least 51 percent of the beneficiaries of each proposed activity in the application are low- and moderate-income persons.

- Applications including a combination of related activities in one or more program areas are considered to be comprehensive. These projects are broader in scope or concept than projects principally addressing a single need or program area. The activities must be related and coordinated to achieve more results than would be possible when singly addressed.
- Detailed instructions and requirements for developing a General Purpose Grant proposal and application will be provided in the 2004 CDBG Program General Purpose Grant Application Handbook.

Eligibility Guidelines

Eligible Applicants

Eligible applicants are cities and towns with less than 50,000 population or counties with less than 200,000 population, provided the cities, towns, and counties **do not** participate as members of HUD Urban County Consortiums.

Indian tribes and special purpose organizations, such as public housing authorities, port districts, water and sewer districts, community action agencies and economic development councils are not eligible to apply directly to the CDBG Program for funding. These projects may be eligible under CDBG if:

- A project will serve both an eligible local government's citizens and tribal members. If the boundaries of a project's service area involve both the local government and a tribal jurisdiction, the local government may apply for state CDBG funding on behalf of and in coordination with the Indian tribe.
- An eligible local government chooses to involve a special purpose organization in the operation of a project funded under the CDBG program.

Eligible Activities

A variety of housing, community facilities, public facilities, public service, planning, and economic development activities are eligible for CDBG General Purpose Grant funding. A complete listing of eligible and ineligible activities can be found in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, and 24 CFR Part 570.201.

Two approaches to the use of General Purpose Grant funds under special circumstances may now be employed: Special Activities by Community-Based Development Organizations and Community Revitalization Strategy Process. The requirements of these two approaches are provided in detail within the Community Investment Fund section of this Action Plan.

Ineligible Activities

As a general rule, activities that are not specifically identified as eligible in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, and 24 CFR Part 570.201 are considered to be ineligible. Prospective applicants are encouraged to consult with CDBG Program staff if they have questions concerning the eligibility of proposed activities.

Method of Funding Distribution

The selection process for new General Purpose Grant proposals consists of three stages: threshold review; rating and selection; and announcing recipients.

Threshold Review

Threshold review is conducted to ensure that the application is complete and timely, administrative plans and assurances of compliance with applicable state and federal laws and requirements are included, and all required statements and certifications are adequate.

No points are awarded during this stage. Applications that fail to meet minimum threshold requirements **will not** advance to the rating and selection stage. Incomplete applications that meet the minimum threshold requirements will be rated based on the application received. When conducting the threshold review, CDBG Program Staff may contact the applicant to resolve threshold issues; however, new information will not be requested or accepted after the application deadline.

As part of the threshold review, each application will be screened to ensure that the appropriate maximum average CDBG investment per benefited household is not exceeded. The average CDBG investment per household benefiting must be equal to or less than the following:

Project Category	Maximum Average CDBG Investment Per Household
Housing	\$25,000 ***
Economic Development	\$10,000
Community Facilities	\$10,000
Public Facilities	\$10,000
Comprehensive	Above amounts as applicable

***Up to \$35,000 per unit for projects that include lead-based paint mitigation activities.

Rating and Selection

Applications will be evaluated and scored by review teams in five separate groups corresponding with the five primary program areas of housing, economic development, community facilities, public facilities, and comprehensive. When applications containing unrelated activities in one or more program areas are received, the activities will be rated separately by program area. In this situation, the application's total score will be the average sum of the proportionally weighted points awarded to each program area. Applications that include a combination of related activities in one or more program areas coordinated to achieve greater results than possible if addressed singly, are considered comprehensive and will be rated in that program area. CTED may consult with informed third parties including local, state, and federal agencies and may make site visits to assist in the rating and selection process.

Applications receiving scores above the minimum score of 65 points will be awarded funding in rank order. Any remaining funds will be transferred to the Contingency Fund for distribution. Applications will be evaluated and assigned points based on the following:

	Maximum Possible Score	% Total
Need Statement	25 points	25%
Capacity Statement	25 points	25%
Readiness Statement	25 points	25%
Results Statement	<u>25 points</u>	<u>25%</u>
Total Maximum Score	100 points	100%

All applications will include the same elements; however, the basis by which points are awarded for each criterion will be different for each program area (i.e., housing, economic development, community facilities, public facilities, and comprehensive). Applications will be evaluated based on the criteria identified in the following sections. The scores derived for each rating criterion are determined by evaluating the information provided by applicants that address similar activities. A final ranked list is established by evaluating the level of public benefit to be achieved by each project. The ultimate goal of the General Purpose rating and selection process is to select projects that are most likely to provide the highest possible return for the public funds invested, as determined by the public benefit to be achieved.

Grants consisting of less than the amount originally requested may be awarded at the discretion of the Department of Community, Trade and Economic Development based on discussions between CDBG Program staff and the jurisdiction. The preliminary notice of project selection does not imply approval of all activities or all costs proposed in the selected application. The grant contract, once negotiated, is the legal document that governs the administration of the grant.

Need Statement Rating Criteria (25 points - maximum score)

The Need Statement will be evaluated on a comparative basis taking into account:

- A comparison of the relative hardship* (difficulty) and frequency** (pervasiveness) of the identified need.
- Whether or not mandated corrective actions have been ordered.
- Clarity of the need, evidence of the need and credibility of documentation.
- Documentation as to whom is affected by the need, including both the impact on the community at large and low- and moderate- income persons. Estimation of what would happen if nothing were done.

* Hardship (difficulty) = Extreme privation: suffering. We are looking for ways to quantify the problem.

** Frequency (pervasiveness) = How often something occurs. Does the need occur occasionally or every day?

Capacity Statement Rating Criteria (25 points - maximum score)

The Capacity Statement will be evaluated on a comparative basis, taking into account:

- Past efforts and/or attempts to address the need.
- Whether or not the jurisdiction (and participating subrecipients) has/have the capacity and authority to address the need on their own.
- Capacity of the jurisdiction (or responsible subrecipient) to operate and manage the project for at least ten years.
- Financial need – availability (or unavailability) of local resources.

Readiness Statement Rating Criteria (25 points - maximum score)

The Readiness Statement will be evaluated on a comparative basis taking into account:

- Certainty that the project as proposed is technically feasible, cost effective and the most appropriate alternative.
- Evidence that the time between contract award and the point at which the public benefits will begin is minimal.
- Completeness of the Work Plan narrative and Work Plan form.

- Demonstration that the proposed project is consistent with past planning efforts, or if not, the clear reason why.
- Documentation demonstrating strong agreement among all interested and affected parties that the project as proposed is necessary and appropriate.
- Thoroughness of the Budget Assumptions and Budget forms.
- Extent to which all necessary financial and non-financial project participants are firmly committed and involved at the point of application.
- Whether or not the necessary relationships between the organizations needed to make the project work in the long-term are clearly established and appropriate.

Results Statement Rating Criteria (25 points - maximum score)

The Results Statement will be evaluated on a comparative basis taking into account:

- Degree of certainty that the project will produce outputs* and outcomes** that are commensurate with the amount of public resources provided and secured.
- Benefit of the project to persons and households that are both above and below the low- and moderate- income level within the intended service area.
- Methods that will be used to measure results and how this information will be used and reported.
- Relationship between the proposed project approached and the degree to which it will meet the applicant's need.

* Outputs = things that you can count (quantify). For example, the number of people to be served by a project.

** Outcomes = How people will benefit from the project (quality). For example, what difference will the project make in an individual's life?

Announcing Recipients

When the rating process is complete, funding recommendations will be made to CTED management for those most highly ranked projects up to the total amount of funds available for 2004 General Purpose Grants. Applications must receive a minimum of 65 points in order to be eligible for a grant award. After receiving management approval, legislators will be notified and all applicant communities will receive written notice of rating process results. Technical assistance will be available to all unfunded applications.

Federal disclosure reports will be requested from applicants prior to funds being obligated. It is expected that 2004 CDBG General Purpose Grant recipients will be announced in late February 2004. Funds will be available as soon as contracting and the environmental review requirements are complete.

Delays in completing the execution of a final contract of ninety days or more from the date of the award letter, due to the project's readiness to proceed, may lead to the rescission of the award and an invitation to apply during the next CDBG General Purpose Grant application cycle.

Relationship between General Purpose Grants and other CDBG Funds

An eligible jurisdiction can apply for more than one type of CDBG funding within the same year. However, a jurisdiction cannot apply for more than one General Purpose Grant per program year.

2004 CDBG HOUSING ENHANCEMENT GRANTS

CDBG Housing Enhancement Grants are made available to provide flexible companion funding for competitive applications to the Housing Finance Unit (HFU). The purpose of the Housing Enhancement Grant Program is to streamline the financing of eligible housing projects by preventing the need to wait until a General Purpose funding cycle in order to receive CDBG assistance. CDBG Program funds will be available for those projects located in eligible jurisdictions, and when the local jurisdiction agrees to support the project. It is possible for eligible jurisdictions to apply for all other CDBG Program funds within the same program year.

Amount of Funds Available

A fund of up to \$1,000,000 will be set aside for the purpose of making Housing Enhancement Grants available to be used with funded Housing Finance Unit applications. Additional monies from the Contingency Fund may be used for priority projects on a funds available basis.

Eligibility Guidelines

Eligible Applicants

Eligible recipients of Housing Enhancement Grants are cities and towns with less than 50,000 population or counties with less than 200,000 population provided that the cities, towns, and counties **do not** participate in HUD Urban County Consortia.

Applicants to the companion funding sources which are not eligible to receive CDBG funds directly, such as nonprofit community or neighborhood-based organizations, local housing authorities, tribal housing organizations, and regional or statewide nonprofit housing assistance agencies, may seek access to the CDBG Housing Enhancement Grants through the eligible city or county where the project is located.

Application Guidelines

Application Deadline

CDBG Housing Enhancement Grants are made in accordance with the Housing Finance Unit application processes. Announcements of CDBG funding reservations will be announced in coordination with Housing Finance Unit application processes.

Application Requirements

Housing Enhancement Applications should address the following areas for review:

- Funding gap analysis that identifies the need for CDBG funds and explains why other sources are not available to fill the identified gap.
- Certifications by eligible applicant jurisdiction demonstrating completion of federal citizen participation and disclosure requirements.

Eligibility Guidelines

Eligible Activities

CDBG Housing Enhancement funds are available to cover project costs that cannot be paid for using Housing Trust Fund dollars, but are essential to the project's overall success. Examples of eligible

costs include off-site infrastructure that is essential to a housing project and is considered an ineligible cost to the Housing Trust Fund. Housing Enhancement funds can also be used to pay for the non-housing costs of projects that are an integral part of a comprehensive project. An example would include the costs of a day care facility that has been incorporated into the design of a project that is requesting Housing Trust Fund support.

A complete listing of eligible activities can be found in Section 105 (a) of Title I of the Housing and Community Development Act of 1974, as amended.

Ineligible Activities

In general, any activity not described in the reference above, or any activity that does not benefit low-income persons, is ineligible for consideration. In addition, CDBG Housing Enhancement Grants may not be used to fund:

- New housing construction (including service connections)
- Costs of equipment
- Furnishings
- Personal property not an integral structural fixture such as window air conditioners, washers, or dryers
- Installation of luxury items, such as a swimming pool

Method of Funding Distribution

The selection process for CDBG Housing Enhancement Grant applications consists of two stages (1) Companion funding sources' evaluation; and (2) CDBG evaluation.

Companion Funding Source Evaluation

Applications will first be reviewed using the applicable guidelines. Housing Enhancement pre-applications are available to assist eligible jurisdictions determine the basic eligibility of their proposed project.

Award Requirements

- Application is approved for funding by the Housing Finance Unit
- Jurisdictions applying for Housing Enhancement Funds must meet federal citizen participation and disclosure requirements.

CDBG Evaluation

When applications to the companion funding sources have been evaluated and are ready for funding, they will be reviewed to determine if CDBG Program funds can be appropriately used in the project. Projects located in eligible jurisdictions will be funded when CDBG funding is available and appropriate. Consideration will be given to funded projects having the following characteristics:

- Project is located in an eligible city or county;
- CDBG funds will fill a financing gap;
- CDBG funds cover costs that cannot be paid for by other funding sources; and
- The amount required does not exceed the amount of CDBG funds available.

When a project is identified for consideration, program staff will notify the funding agency, housing developer, and the local jurisdiction.

Eligible jurisdictions will then be informed of the potential grant offer and given an opportunity to participate with the applicant in the project by:

- Meeting the federal citizen participation requirements, including conducting a public hearing;
- Agreeing to comply with the required federal and state certifications; and
- Agreeing to be responsible for the CDBG portion of the project.

Relationship between Housing Enhancement Grants and other CDBG Funds

An eligible jurisdiction can apply for more than one type of CDBG funding within the same year. However, a jurisdiction cannot apply for more than one Housing Enhancement Grant per program year. To be considered for funding from the current program year, the application must be received by December 31st of that program year.

2004 CDBG HOUSING REHABILITATION GRANT PROGRAM

Program Purpose

The purpose of the Housing Rehabilitation Grant Program is two-fold:

1. To establish a housing rehabilitation set-aside fund for CDBG eligible projects for FY 2004.
2. To develop a housing rehabilitation grant program within the department that provides a seamless system of integrated, flexible, and stable funding source for the department's partner housing rehabilitation programs (Home Repair and Rehabilitation, Housing Trust Fund, HOME housing rehabilitation projects, and CDBG). The goal for FY 2004 is to design and implement a plan for streamlining, consolidating, and standardizing program requirements that will reduce duplication of services.

Amount of Funds Available

A fund of up to \$1,000,000 will be set-aside for the purpose of funding CDBG Housing Rehabilitation Grant projects. Additional funds above the initial allocation of \$1 million dollars may be made available if the 2004 allocation exceeds \$18 million dollars. The Contingency Fund may also be used for priority projects on a funds available basis.

CDBG Housing Rehabilitation Grants are limited to \$500,000 per request. The amount requested must not exceed the maximum CDBG investment of \$25,000 per household benefited or \$35,000 per household for houses requiring lead-based paint mitigation.

Application Guidelines

Housing Rehabilitation Grant Program application guidelines will be consistent with the CDBG General Purpose Grant and will be coordinated with the partner housing rehabilitation programs.

- Housing Rehabilitation Grant Program applications will be accepted throughout the year on a funds available basis. Initial 2004 applications will be reviewed and funded in coordination with the 2004 CDBG General Purpose grant application and with the funding cycles of partner housing rehabilitation programs. Housing Rehabilitation Grant Program applications received after the 2004 General Purpose Grant application cycle will be considered on a first come first served basis.
- Each eligible jurisdiction may receive one CDBG-funded Housing Rehabilitation Grant Program grant per program year.
- Eligible jurisdictions can apply for funds from the Housing Rehabilitation Grant Program and all other CDBG Programs within the same program year.

Eligibility Guidelines

Eligible Applicants

Eligible recipients of CDBG Housing Rehabilitation Grant Program are cities and towns with less than 50,000 population or counties with less than 200,000 population provided that the cities, towns, and counties do not participate in HUD Urban County Consortia.

Applicants for these funds which are not eligible to receive HRPB funds directly, such as nonprofit community or neighborhood-based organizations, local housing authorities, tribal housing organizations, and regional or statewide nonprofit housing assistance agencies, may seek access to HRPB through the eligible city or county where the project is located.

Eligible Activities

Housing Rehabilitation Grant Program applications must be for single-family or multi-family housing rehabilitation only. The funds may be used for:

- Substantial housing rehabilitation
- Minor home repairs
- Health, safety, and emergency repairs
- Lead-based repairs and mitigation
- Direct administration costs to administer the housing rehabilitation program.

Ineligible Activities

In general, any activity not described in the reference above, or any activity that does not benefit low-income persons, is ineligible for consideration. In addition, grants may not be used to fund:

- New housing construction (including service connections)
- Costs of equipment (with some exceptions)
- Furnishings
- Personal property not an integral structural fixture such as window air conditioners, washers, or dryers
- Installation of luxury items, such as a swimming pool

Method of Funding Distribution

The selection process for the Housing Rehabilitation Grant Program consists of several stages including pre-application submittal; preliminary scoping, invitation to submit application; threshold review; and project evaluation.

Pre-Application Submittal

Pre-Applications may be submitted at any time and are available in 2004.

Pre-Applications will be reviewed on a first come first served basis.

Projects must principally benefit low- and moderate-income persons.

Preliminary Scoping

A preliminary review of the proposed project will be conducted. During this period, the project will be reviewed, inspection made if necessary, and a preliminary assessment of the project's readiness to proceed and CDBG eligibility will be made. A project is "ready" when it has a well-defined scope, reliable budget, established program procedures, strong community support, and no problems that would prevent implementation soon after funds are committed. HRPB applications will be reviewed to determine if CDBG Program funds can be appropriately used in the project and are located in eligible jurisdictions.

After the preliminary scoping, a decision is made as to the type of assistance to provide, including additional technical assistance or partial or full funding of the project as proposed.

Invitation to Apply

A letter of Invitation to Apply will be sent to the applicant, inviting the jurisdiction to complete and submit a final General Purpose Grant application. The jurisdiction will receive the General Purpose Grant Application Handbook with their invitation to apply. The jurisdiction must submit an application that meets all application elements within 90 days of the invitation to apply.

Threshold Review

The application must document the project will meet a HUD National Objective of principal benefit to low- and moderate-income persons.

The applicant must meet the CDBG federal requirements for citizen participation and comply with the required federal and state certifications.

The project proposed for funding must be an eligible activity, as outlined in this Action Plan.

Application Elements

Applications will consist of the jurisdiction's responses to the rating and selection questions used for the General Purpose Program Application. The applicant must also submit all required CDBG forms and certifications. The evaluation criteria that will be used for housing rehabilitation projects is listed within the 2004 General Purpose Application Handbook.

Applicants must receive a minimum score of 65 points to be eligible for funding. The criteria used to rate Housing Rehabilitation Grant Program applications is identical to the General Purpose Grant rating criteria listed on page 42 of this Action Plan.

Project Evaluation

Final CDBG Housing Rehabilitation Grant Program applications will only be reviewed if the jurisdiction was invited to apply. All applications are reviewed on a first come first served basis. However, pending applications will be funded based upon relative need and as funds are available. Critical elements of the project evaluation process includes a determination that:

- The project is ready to be fully implemented;
- The project principally benefits low- and moderate- income persons; and
- The application meets the programs high score standard of 65 out of 100 points.

Relationship between Housing Rehabilitation Grants and other CDBG Funds

An eligible jurisdiction can apply for more than one type of CDBG funding within the same year. However, a jurisdiction cannot apply for more than one Housing Rehabilitation Grant per program year. To be considered for funding from the current program year, the application must be received by December 31st of that program year.

2004 CDBG IMMINENT THREAT GRANTS

CDBG Imminent Threat Grant requests are awarded on a funds available basis from the CDBG Contingency Fund. Imminent Threat Grants are meant to provide an interim solution to problems of an urgent nature and that have a potential for impacting public health and safety in ways that cannot be effectively addressed through the General Purpose Grant application process. Imminent Threat applicants for infrastructure assistance will be reviewed by the Public Works Trust Fund (PWTF) for loan eligibility before consideration by the CDBG Program.

Amount of Funds Available

CTED sets aside \$400,000 of the state's annual CDBG allocation to establish the base funding for the Imminent Threat Grants to address the urgent needs of eligible applicants. This funding level will be maintained on a funds available basis with monies that become available for the Contingency Fund throughout the year, such as recaptured funds or program income. The ultimate amount of funds obligated for Imminent Threat may increase depending upon the number of Imminent Threat requests and the amount of funds made available from the Contingency Fund.

Any unused Contingency Fund balance remaining at the end of a program year will be made available for the next program year's funding distribution.

Application Guidelines

Application Deadline

Applications for Imminent Threat Grants may be submitted anytime during the 2004 program year.

Application Requirements

Applications for Imminent Threat Grants are considered if there is a unique, emergency need posing a serious immediate threat to the health or safety of a community. Imminent Threat Grant applications may be submitted in the form of a letter signed by the authorized chief administrative officer of the eligible jurisdiction. The letter must describe the public health and safety problem and specifically address the following:

- The cause of the threat/emergency in terms of a natural disaster or other unforeseen and unavoidable circumstance;
- The nature and extent of the threat to the public health and safety; including the number of people affected, area affected, etc.;
- Whether the situation is presently causing substantial harm, or whether and how it poses a potential threat to life and property or both; and,
- Is the problem of recent origin; has it emerged within the last 18 months?
- Provide the name and telephone number of an official, independent of the jurisdiction, who is able to verify the threat to public health and safety.
- Does the threat/emergency constitute a situation unanticipated and beyond the control of the local government? What preventative actions were taken? Develop a chronology of actions.
- Can the situation be adequately managed to protect the public until the next competitive CDBG application cycle? If not explain.
- Provide a detailed scope of work to address the problem.

- Estimate schedule for project completion. Can the project be completed within 90 days?
- What alternative courses of action or designs are/were considered to address the immediate need on an interim basis?
- Identify any other jurisdictions/districts involved in addressing the project. Provide a point of contact and phone number for those jurisdictions/districts.
- Estimate project costs and funding sources for the proposed project. How and when have project cost estimates been made?
- What financial reserves are available to resolve some (or all) of the problem?
- What will be the likely results if this application is not accepted for CDBG funding?
- Briefly describe the maintenance program for the system in question.
- Has the jurisdiction been placed in fiscal distress due to other recent emergency public works incidents? If yes, please explain.
- Is this problem likely to happen somewhere else in the public works system at another time? How will you avoid the situation?

The applicant/jurisdiction can request technical assistance as it works through answering these questions. Documentation of each response will be necessary before funding will be approved, including a copy of the jurisdiction's declaration of emergency. The declaration of emergency must be provided prior to or with the above requested information. Imminent Threat projects are not required to principally benefit low- and moderate-income persons. The following certification and threshold requirements apply to Imminent Threat applications:

- Declaration of Emergency
- CDBG Resolution with Certification of Compliance
- Federal Disclosure Report
- Excessive Force Policy
- Residential Anti-Displacement and Relocation Assistance Plan
- Title VI Certification
- Citizen Grievance Procedure
- Environmental Review Form

Eligibility Guidelines

Eligible Applicants

Eligible applicants are cities and towns with less than 50,000 population or counties with less than 200,000 population, provided the cities, towns, and counties **do not** participate as members of HUD Urban County Consortiums.

Indian tribes and special purpose organizations, such as public housing authorities, port districts, water and sewer districts, community action agencies and economic development councils are not eligible to apply directly to the CDBG Program for funding. These projects may be eligible under CDBG if:

- A project will serve both an eligible local government's citizens and tribal members. If the boundaries of a project's service area involves both the local government and a tribal jurisdiction, the local government may apply for state CDBG funding on behalf of and in

coordination with the Indian tribe. An eligible local government chooses to involve a special purpose organization in the operation of a project funded under the CDBG program.

Applicants for Imminent Threat Funds must be suffering from an immediate and urgent threat to public health or safety, verified by an independent source, and must not have financial capacity to solve the problem.

Eligible Activities

Imminent Threat funding is available to address problems immediately causing a threat to public health or safety. The solution must be compatible with CDBG eligible activities as described in the General Purpose Grants section. A description of minimum eligibility standards, as developed by HUD, can be found in 24 CFR Part 570.483(d).

Method of Funding Distribution

Applications for Imminent Threat Grants and appropriate documentation are evaluated by CTED staff according to the questions identified above in "Application Requirements" and verified through contacts with independent sources and site visits, if deemed appropriate. The type and amount of assistance provided is based on an assessment of whether a serious, urgent, unanticipated threat to public health or safety exists, the scope of the need, the length of time the problem has been apparent, what preventive actions have been taken, proposed cost, how quickly the problem can be remedied, the applicant's financial capacity, and the availability of funding (i.e., from CDBG and other sources).

The Imminent Threat review process is rigorous and intended to screen for only the most serious, emergency health and safety threats. If CDBG Contingency Funds are available, if the proposal is determined to meet the intent of the program, and if no other funding is available to the community, an Imminent Threat Grant may be awarded.

Relationship between Imminent Threat Grants and other CDBG Funds

An eligible jurisdiction can apply for more than one type of CDBG funding within the same year. However, a jurisdiction cannot apply for more than one Imminent Threat Grant per program year. To be considered for funding from the current program year, the application must be received by December 31st of that program year.

2004 CDBG PLANNING-ONLY GRANTS

The purpose of funding local planning activities is to increase the capacity of eligible cities and counties to move forward on the implementation of priority projects that principally benefit low- and moderate-income persons. This increased capacity could be the result of:

- Essential knowledge gained,
- Local consensus achieved,
- Regulatory prerequisites met, and/or
- Necessary partnerships developed.

The CDBG Program seeks to achieve a measurable return on the investment of planning funds through cost-savings with implementation. Examples include:

- Determining feasibility before investment of construction funds.
- Identifying and addressing obstacles that could result in cost-overruns project delays or project failure.
- Considering and testing less expensive alternatives.
- Building consensus between local stakeholders or with regulatory agencies, reducing potential legal battles or project delays.
- Building local support and leveraging local resources, especially through long-term fiscal planning.
- Identifying regional partners and shared objectives to reduce duplication of effort.
- Establishing outcome measurements to guide and demonstrate successful implementation.
- Proactively addressing a problem, instead of reactively responding to a more expensive crisis in the future.

The methods for accessing funds for planning activities other than through a Planning-Only Grant application process can be found in the respective funds' sections of this Action Plan.

CDBG Planning-Only Grants

Program Purpose

To support eligible small communities and counties in carrying out planning activities that lead to the implementation of priority projects that principally benefit low- and moderate-income persons. Technical and financial assistance, through direct support and/or in partnership with other CTED programs, is available to achieve this goal.

National Objectives

All CDBG Planning-Only Grant projects must meet one of the two following national objectives of the CDBG Program (Title I, Housing and Community Development Act of 1974, as amended):

- To principally benefit persons of low- and moderate-income
- To prevent or eliminate slums or blight

Program Priorities

In addition, the project must address one or more of the Planning-Only Grant program priorities:

- To address public health and safety issues
- To improve essential services to low- and moderate-income persons
- To complete a necessary and specific step within a broader community development strategy
- To assist communities in meeting planning requirements that will principally benefit low- and moderate-income persons.

Amount of Funds Available

A fund of \$500,000 is available in 2004. Planning grants are limited to \$35,000 for a single applicant or \$50,000 for a joint application involving two or more eligible jurisdictions that share a common planning need. To receive an award at the upper limit, the following criteria must be met:

- The proposed project is to address a public health and safety issue;
- The proposed project is required by a regulatory agency (such as WA State Department of Health or Department of Ecology);
- The community is facing financial hardship in addressing the issue; and
- Other funding has been considered (such as Public Works Trust Fund Loan).

Pre-Applications are accepted and reviewed throughout the year, with awards made on a funds available basis.

Eligibility Guidelines

Eligible Applicants

Eligible applicants are cities and towns with less than 50,000 population or counties with less than 200,000 population, provided the cities, towns, and counties **do not** participate as members of HUD Urban County Consortiums.

Indian tribes and special purpose organizations, such as public housing authorities, port districts, water and sewer districts, community action agencies and economic development councils are not eligible to apply directly to the CDBG Program for funding. These projects may be eligible under CDBG if:

- A project will serve both an eligible local government's citizens and tribal members. If the boundaries of a project's service area involve both the local government and a tribal jurisdiction, the local government may apply for state CDBG funding on behalf of and in coordination with the Indian tribe.
- An eligible local government chooses to involve a special purpose organization in the operation of a project funded under the CDBG program.

Eligible Activities

The CDBG Program works collaboratively with other CTED Programs to provide technical and financial assistance for a wide range of planning activities. In general, the eligible planning activities include:

- Studies
- Analyses
- Capital Facility Plans

- Data gathering
- Identification of implementing actions
- Preparation of plans

A complete listing of eligible planning activities can be found in Section 105 (a) of Title I of the Housing and Community Development Act of 1974, as amended. Planning-Only Grants can support an eligible jurisdiction's efforts to address farmworker housing needs, accomplish the objectives of the Growth Management Act and address local public health and safety issues.

Ineligible Activities

In general, any type of activity not described in the reference above is ineligible for consideration. In addition, CDBG Planning-Only Grants may not be used to fund:

- General grant administration expenses;
- Engineering, architectural, and design costs related to a specific construction activity;
- Actual blue prints;
- Direct development of an application to any of the CDBG Program funds; or
- Other costs of implementing plans. (These costs may be eligible for CDBG funding as part of a CDBG construction grant.)

Method of Funding Distribution

The method of funding distribution and the basis for selecting applications for funding are outlined in the following steps of the Pre-Application and Application Processes:

1. Jurisdiction completes and submits Pre-Application Form.
2. Pre-Application passes or does not pass the CDBG Screening process, including -
 - Project addresses a program priority(s)
 - Project meets a national objective
 - Eligible applicant(s)
 - Eligible planning activity(s)
 - CDBG is the most appropriate funding source
3. The CTED Resource Team reviews the request and considers technical and financial assistance options.
4. Based on the Resource Team's review, the CDBG Program invites the jurisdiction to apply or alternative options are identified.
5. Jurisdiction submits an application within 90 days, including:
 - Threshold documentation and certification of compliance
 - Narrative
 - Work Plan
 - Budget
6. CDBG Program reviews application, including:

- Threshold requirements are met, including public hearing documentation and an Interlocal Agreement (for joint applications only).
- Narrative describes a compelling need/opportunity, capacity to implement the project, readiness to proceed and clear results if funded.
- Work Plan is thorough and well conceived, including relationship with sub-recipients or consultants.
- Budget is reasonable and complete, with appropriate leveraged resources.

7. Jurisdiction receives an award letter and begins the contracting process.

Award Review and Selection Criteria

To be funded, the applicant must provide complete and compelling information regarding their proposed project in the form of need, capacity, readiness and results statements. Examples of the type of information required for each statement follow. Application guidelines are available upon request.

1. Need Statement

- What is the opportunity, problem, or need the proposal seeks to respond to or address?
- Who is most affected by the opportunity, problem, or need? Tell us the number of people affected, how they are affected, and how often they are impacted.
- Is the project urgent? Does it address a public health and safety issue? Is the project responding to a state or federal requirement?
- Is this project a priority for the community, and how was that decided?
- Explain what will happen if nothing is done.
- How was the proposed planning project developed? Include key people, target groups, or organizations consulted, and the process used to involve the public.

2. Capacity Statement

- How able is your community to meet the need on its own? Has the community done everything that can be done locally? What specifically is the gap between need that can be met locally and the assistance needed from a Planning-Only Grant?
- What resources are currently committed to this project?
- Do you have staff capacity to address the need? Explain the organizational capacity of the responsible parties needed to conduct this planning effort.
- What is the proposed administrative plan for implementing the project and managing the funds?
- If there will be a subrecipient, describe the relationship between the subrecipient and applicant and who will have what responsibilities; including grant administration, procurement, oversight, etc.
- Describe the relationship between the jurisdiction and other project participants (i.e. contractors, consultants, organizations, citizen groups, and other governmental agencies) and how appropriate oversight will be maintained.

3. Readiness Statement and Work Plan

- Clearly describe the planning project and explain how it addresses the Need Statement.
- What is the basis for the approach taken? What options have been considered?

- How and when are the community or other interested parties involved in the solution and work plan activities? Include the required final public hearing, and review and approval process by stakeholders and governmental body.
- List obstacles that might affect the success of the planning project if funded, and describe how your work plan addresses these obstacles.
- In the Work Plan Form, list the tasks and time frames that will be accomplished during this planning process. Also, name the individual(s), consultant(s), or organizations responsible for carrying out each task.
- Clearly explain why the order, timing, and assignment of responsibility (as listed in the Work Plan) are appropriate.
- Is the project ready to go? If not, what else must be done before it is?
- Complete the Budget Forms. Explain assumptions, list funding sources pursued, and commitment of funding sources. Complete the Contact List. Include the name, phone number, and e-mail address of the appropriate contact for each of the funding sources.

4. Results Statement

- What are the short- and long-term outcomes of the proposed planning project? List the final product(s) to be produced as a short-term outcome.
- How will the proposed plan benefit the community and low- and moderate-income persons? This can include both direct and indirect benefits.
- How many persons will benefit? How many households will benefit?
- How will you evaluate your project success?

In order to be reviewed, a final application must be preceded by a successful pre-application. Final applications will only be reviewed if the applicant was invited to apply. Projects will be reviewed and funded on a first-come, first-serve policy, according to the program rating and selection criteria.

Joint Applications

When two or more eligible jurisdictions are located in the same region and share a common planning need, they are encouraged to seek cooperative solutions by preparing a joint application. An Interlocal Agreement, signed by each participating jurisdiction, must be submitted with the application, if an invitation to apply is extended. Jurisdictions considering a joint application are encouraged to contact the CDBG Program to review eligibility and approval of expanded budget.

Relationship between Planning-Only Grants and other CDBG Funds

An eligible jurisdiction can apply for more than one type of CDBG funding within the same year. However, a jurisdiction (including a jurisdiction participating in a multiple jurisdiction project) will not be awarded more than one Planning-Only Grant per year, so the planning project of highest priority should be submitted first. To be considered for funding from the current program year, the application must be received by December 31st of that program year.

A Planning-Only Grant cannot fund the direct development of another CDBG application, although some activities that could support a subsequent application are eligible for Planning-Only Grant funding. Receipt of a Planning-Only Grant *does not* guarantee that a related CDBG application will be funded.

2004 PUBLIC SERVICE GRANTS

The Department of Community, Trade, and Economic Development provides a portion of its annual CDBG award for Public Service Grants to eligible counties and Community Action Agencies (CAA). Funding allocations will be made on a formula basis and contracts established with an eligible county interested in working with a CAA as a subrecipient. It is possible for eligible jurisdictions to apply for all other CDBG Program funds within the same program year. No more than 15 percent of the state's full 2004 CDBG grant from HUD will be available for public service activities.

Amount of 2004 Funds Available

A fund of no more than \$1,775,000 has been set aside for the purpose of making Public Service Grants available on a formula basis to CAAs serving non-entitlement communities through their local eligible county.

Application Guidelines

Application Deadline

Counties and their CAA subrecipients will be invited to apply for awards for the 2004 program year. Contracts must be complete prior to disbursement of 2004 funds.

Application Requirements

- Application materials will be made available no later than October 1, 2003.
- Funding will be made on a formula basis as determined to be consistent with agreements forged with CAAs by administrators of the Community Services Block Grant (CSBG) staff and approved by the U.S. Department of Health and Human Services.
- Applicants for formula grants must meet all CDBG submittal requirements before contracts will be fully executed. This includes Section 102 Disclosure Report Form, public hearing, and other CDBG requirements.

Eligibility Guidelines

Eligible Applicants

Eligible applicants for the Public Services Grants are counties serving all or a portion of the local CAA's service region as long as none of the service region contains counties with more than 200,000 population and the county does not serve as a HUD Urban County Consortium.

For CAA's that serve both entitlement cities within a non-entitlement county, CDBG funds will be used for eligible programs that target and benefit residents of the non-entitlement areas. 2004 Public Service Grants allocated to counties that include a jurisdiction(s) that recently elected to become a CDBG entitlement jurisdiction, will be reviewed to ensure the Public Service Grants are budgeted to fund only services to residents of the non-entitlement service areas of the county. The formula for the distribution of Public Service Grants will be reassessed in 2004.

Minimum Performance Standards

CTED reserves the right to postpone or suspend project contracting if there is a significant problem with previous grantee performance. Upon request, CTED will provide technical assistance to ensure timely completion of approved project activities.

Eligible Activities

CDBG Public Service Grants are available to improve the community's public services. According to Section 105 (a)(8) of Title I of the Housing and Community Development Act of 1974, as amended, CDBG public service funds may be used to assist a variety of activities that provide public services to low- and moderate-income persons including, but not limited to:

- Employment
- Crime prevention
- Child care
- Health
- Drug abuse
- Education
- Energy conservation
- Welfare
- Recreational programs

Ineligible Activities

In general, any activity not described in the reference above and that does not principally benefit low- and moderate-income persons (defined as having a total annual income of 80% or less of a county's median income) is ineligible for consideration.

CDBG Public Service Grants also cannot fund activities and their administration costs that are instead eligible for funding through another CDBG fund/line item, such as:

- Planning
- Housing rehabilitation
- Facility acquisition, construction or renovation

The methods for accessing CDBG funds for activities that are not considered a CDBG public service activity can be found in the respective funds' sections of this Action Plan.

In addition, CDBG funds may not be used for:

- Administration costs related to the general management of the organization
- Political activities
- Payments to individuals for their food, clothing, utilities, or other income payments
- New housing construction costs

Method of Funding Distribution

Of the state's 31 CAAs, 15 serve clients in non-entitlement counties. The distribution of CDBG Public Service dollars is based on a formula that has been negotiated with the state's CAAs. This formula is described in the 2004 Washington State Plan for the CSBG Program. In order to ensure that CDBG only funds non-entitlement communities, a distribution schedule was developed in which all CAA's would receive about the same amount of funding under the formula. A list of the Washington State CAA's and formula distribution is listed in the following table.

The methods for accessing public service funding as part of other CDBG funds' application processes (other than the CDBG Public Service Grant application process) can be found in the respective funds' sections of this Action Plan.

TABLE 4:

2004 CDBG PUBLIC SERVICE CONTRACT AMOUNTS				
COUNTY	SUBRECIPIENT COMMUNITY ACTION AGENCY	COUNTY ADMIN \$	CAA TOTAL	CDBG TOTAL
Asotin	Community Action Partnership	3,000	34,244	37,244
Chelan	Chelan/Douglas CAC	3,000	128,937	131,937
Cowlitz	Lower Columbia CAC	3,000	127,131	130,131
Grant	North Columbia CAC	3,000	143,625	146,625
Grays Harbor	Coastal Community Action Program	3,000	141,906	144,906
Jefferson	Olympic Community Action Programs	3,000	124,646	127,646
Kittitas	Kittitas County Action Council	3,000	99,009	102,009
Okanogan	Okanogan County CAC	3,000	110,672	113,672
Skagit	Skagit County CAA	3,000	119,135	122,135
Skamania	Klickitat/Skamania Development Council	3,000	95,214	98,214
Stevens	NE WA Rural Resources Development Assn.	3,000	115,150	118,150
Thurston	CAC of Lewis, Mason & Thurston Counties	3,000	99,675	102,675
Walla Walla	Blue Mountain Action Council	3,000	116,009	119,009
Whitman	Community Action Center	3,000	110,318	113,318
Yakima	Yakima Valley Farm Workers Clinic Northwest Community Action Center	3,000	164,329	167,329
TOTALS		\$45,000	\$1,730,000	1,775,000

2004 CDBG CONTINGENCY FUND

The Contingency Fund is the accumulation of recaptured/deobligated funds, remaining funds allocated to a grant fund that are unobligated at the end of the program year, and program income. These accumulated funds will be carried over to the next program year and made available for new grant awards as described in the individual fund sections of this Action Plan.

Amount of Funds Available

It is estimated that approximately \$9,300,000 will be carried over from 2003 to establish the 2004 Contingency Fund. Any recaptured funds, remaining funds or program income that become available during the program year will be added to the Contingency Fund.

Use of Funds

Resources available in the Contingency Fund may be used when the initial funding allocation for a CDBG funding program is fully obligated and then a priority project that meets the eligibility criteria is ready to be funded under that program. All CDBG funds, except Public Service Grants, can use the Contingency Fund for priority projects on a funds available basis. Table 2 lists the anticipated uses of Contingency Funds for priority projects within the CDBG funding programs.

The Contingency Fund also allows the award of funds early in the program year, if HUD is late in allocating the new program year award to CTED. This supports the timely expenditure of CDBG resources and assures that the immediate funding needs of a priority local project can be met.

The Contingency Fund is used to maintain the Imminent Threat Grant funding level at \$400,000 and to fund Supplemental Grants on a funds available basis. Resources available in the Contingency Fund will be made on a priority basis first to CDBG Imminent Threat grant requests, second to existing CDBG contracts in need of supplemental funds and third to CDBG Public Works Enhancement Grants for projects approved by CTED companion programs. CDBG Enhancement Grants will only be provided when the Imminent Threat Fund is at its base funding of at least \$400,000.

Funds remaining in the Contingency Fund at the end of the program year will be carried over into the next program year's Contingency Fund and distributed in a manner that is consistent with the overall goals, objectives and guidelines of the Action Plan.

Application Requirements

The application requirements are outlined in the individual fund sections of this Action Plan.

2004 CDBG CONTINGENCY/SUPPLEMENTAL GRANTS

Supplemental Grant requests are awarded on a funds available basis from the CDBG Contingency Fund. Supplemental Grant awards are intended as a last resort funding option for grantees whose approved projects have encountered unanticipated cost overruns.

Community Investment Fund, General Purpose, Housing Enhancement and Planning-Only Grant recipients may apply for a Supplemental Grant. Once a Supplemental Grant is awarded, the supplemental funds are incorporated into the recipient's original Community Investment Fund, General Purpose, Housing Enhancement or Planning-Only Grant award.

Amount of Funds Available

Supplemental Grants are made available through the Contingency Fund on a funds available basis. Any recaptured funds, remaining funds or program income that become available during the program year will be added to the Contingency Fund and be made available for priority Supplemental Grant requests. The ultimate amount of funds obligated for Supplemental Grants may increase depending upon the number of Supplement Grant requests and the amount of funds made available from the Contingency Fund.

Resources available in the CDBG Contingency Fund will be made on a priority basis first to CDBG Imminent Threat grant requests, second to existing CDBG contracts in need of supplemental funds and third to CDBG Public Works Enhancement Grants for projects approved by CTED companion programs listed below. CDBG Enhancement Grants will only be provided when the Imminent Threat Fund is at its base funding of at least \$400,000.

Applications for Supplemental Grants may be submitted anytime during the 2004 program year and are awarded on a funds available basis.

Eligibility Guidelines

Eligible Applicants

Eligible applicants are cities and towns with less than 50,000 population or counties with less than 200,000 population provided the cities, towns, and counties **do not** participate as a member of HUD Urban County Consortiums.

An applicant for a Supplemental Grant must be a recipient of an open CDBG contract.

Eligible Activities

Supplemental Grants are available to complete previously approved CDBG funded activities in communities with existing CDBG contracts that do not exceed the maximum grant amount.

Application Requirements

Under normal circumstances, CTED will not grant additional funds to pay for costs, which exceed the originally approved project budget. However, subject to funds being available at the time of request, and CDBG funds not exceeding the original grant limit, CTED may authorize the use of Contingency Funds for unanticipated costs caused by circumstances beyond the reasonable control of the grantee provided that all other program requirements and objectives can be met. All supplemental funding actions must obtain CTED approval before any reimbursement of funds occurs.

A request for supplemental funding must be submitted in the form of a letter, signed by the authorized chief administrative officer of the eligible jurisdiction, which addresses the following questions and provides documentation for each response:

All applicants for supplemental funds must answer the following questions:

- Has the grantee received the maximum CDBG grant amount according to grant limits for the funding year? Under special circumstances, giving consideration to the maximum average CDBG cost per household by program area, total awards may be increased to 2004 award levels.
- Can the goals (or part of the goals) of the project be realized without additional funds? If no, why not?
- Could the need for additional funds have been reasonably anticipated? If yes, why were appropriate steps not taken to prevent project cost overruns?
- Can the need for additional funds be met through an internal budget procedure (i.e., using money designated for another line item?)
- Are there alternative courses of action available to solve the problem?
- Have all other sources of funding been exhausted?

For Public Works Enhancement grants, applicants must also provide responses to all applicable sections of the CDBG General Purpose Application as identified in a letter of invitation provided by the department. Other information will be requested as needed to assume full compliance with state and federal regulations.

CDBG Public Works Enhancement Grants

Based upon resource availability through the Contingency Fund, CDBG supplemental grants may also be awarded to jurisdictions that have been approved to receive funding from CTED companion programs: Drinking Water State Revolving Fund (DWSRF) and Public Works Trust Fund (PWTF). This approach is on a trial basis in 2003 and 2004, due to the potential for receiving an annual CDBG grant and the carry-over Contingency Fund that exceeds recent years. Jurisdictions must meet all CDBG eligibility requirements and applicable federal regulations. Projects must meet the General Purpose Grant Program's high score standard requirements (see General Purpose Grant Program rating criteria). Additionally, projects must be able to demonstrate a hardship posed for low- and moderate-income persons as a result of the structure of the current grant or loan financing and/or have experienced an unforeseen deficiency in funding that would cause hardship. Eligible projects will be screened to determine whether there is hardship posed upon low- and moderate-income persons as a result of high utility rates due to new debt to be assumed from PWTF or DWSRF loans. All supplemental awards must principally benefit low- and moderate-income persons and be for activities that are ready to proceed and can be reasonably expected to be expended within eighteen months of a contract's execution.

Supplemental awards to loan recipients of the DWSRF and PWTF will be made available as CDBG Public Works Enhancement Grants, and may supplant or add to funds from these

programs up to an amount of \$750,000 per project, based on the level of hardship and need. Projects will be reviewed on a first-come, first-served basis following an invitation to apply provided to the appropriate eligible jurisdiction. Pending projects will be awarded grants based on comparative need and the overall availability of CDBG funds.

CDBG Enhancement Grants will only be provided when the Imminent Threat Fund is at its base funding of at least \$400,000.

Method of Funding Distribution

Grantee requests will be subject to review for "reasonableness." Reasonableness will be determined by CTED's review of the applicant's response to the questions as listed above in "Application Requirements".

Relationship between Supplemental Grants and other CDBG Funds

General Purpose, Planning-Only, Housing Enhancement and Community Investment Fund grant recipients may apply for a Supplemental Grant from the Contingency Fund, as well as applying for an Imminent Threat Grant, during the same program year.

2004 SECTION 108 LOAN GUARANTEE PROGRAM

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. Regulations governing the Section 108 program may be found at 24 CFR 570, Subpart M, "Loan Guarantees." For a current list of obligations to date, see Table 6 on page 80.

Although this pledge does not immediately reduce the state's CDBG allocation, future reductions due to payment default may result in the reduction of the state's annual award. Reductions to the state's annual award will be absorbed by the contingency fund. Reductions in excess of the available balance within the contingency fund will be absorbed proportionally by all CDBG programs. Net reductions occurring in program year 2003 totaled \$444,876.

Amount of Funds Available

The state will pledge up to the amount of its 2004 CDBG allocation or \$18,000,000 (whichever is greater) to guarantee loans. More resources may be made available, up to the maximum allowable by HUD, on a project-by-project basis at the discretion of the CTED Director. Prior to any increase in the CDBG Loan Guarantee above the amount of its 2004 CDBG allocation or \$18 million (whichever is greater), the department will consider the following:

- The strength and currency of the existing portfolio of 108 Loan Guarantees.
- Losses accrued over the life of the program and the impact future losses may have upon the ability of the CDBG program to support future community development projects.
- An analysis of the overall impact of the project weighed against the risk of losing future CDBG resources.

Application Guidelines

Application Deadline

Applications for the Section 108 Loan Guarantee Program may be submitted throughout the 2004 CDBG program year.

Application Requirements

Applications for the Section 108 Loan Guarantee Program will be reviewed and approved by CTED staff. Applications must be submitted by eligible jurisdictions. Applicants may request a minimum of \$700,000 and a maximum of \$7 million. An eligible jurisdiction may submit more than one application each year; however, in no event shall a local jurisdiction receive more than \$7 million in outstanding Section 108 Loan Guarantees. Application guidance can be found in the Section 108 regulations at 24 CFR 570.704, "Application Requirements."

An application will consist of:

- Evidence that the jurisdiction has complied with Citizen Participation Requirements, including at least one well publicized public hearing and the adoption of a CDBG Grievance Procedure;
- A loan guarantee request signed by the authorized chief administrative officer of the local jurisdiction;

- Evidence that a concerted effort was made to obtain alternative sources of financing and that such sources, both public and private, were either not available or were insufficient to meet the financing needs;
- A breakdown of total project costs;
- Sufficient financial history and projections to allow for a comprehensive risk assessment and the completion of a credit memorandum by staff that is in compliance with HUD's Underwriting Guidelines for Section 108 Applications;
- A source and use of funds statement;
- Documentation supporting the job impact or other impact to low-income persons;
- Assurance that all CDBG Program requirements will be met, and the HUD citations showing that the proposed activity is eligible and meets one of the national objectives (low- and moderate-income benefit, prevention/elimination of slum/blight, or urgent need); and
- Evidence that the applicant jurisdiction has passed a resolution with Certifications of Compliance authorizing submittal of the CDBG Section 108 Loan Guarantee application and certifying compliance with specific state and federal requirements.

Eligibility Guidelines

Eligible Applicants

Eligible applicants are cities and towns with less than 50,000 population or counties with less than 200,000 population provided the cities, towns, and counties **do not** participate as members of HUD Urban County Consortiums.

Indian tribes and special purpose organizations such as public housing authorities, port districts, community action agencies, and economic development councils, are not eligible to apply directly to CTED for funding. However, eligible jurisdictions may choose to serve Indian tribes within their jurisdiction or to involve the other organizations in the operation of projects funded under the Section 108 Loan Guarantee Program.

Eligible Activities

Section 108 Loan Guarantees are available for specifically allowed revenue producing CDBG eligible activities. Section 108 Loan Guarantee funds may be used for activities undertaken by a public entity or its designated public agency that will:

- Meet the public benefit criteria, as defined by HUD.
- Assure that all CDBG Program requirements will be met.

Activities eligible for Section 108 financing include:

- Economic development activities eligible under CDBG;
- Acquisition of real property;
- Rehabilitation of publicly-owned real property;

- Housing rehabilitation eligible under CDBG;
- Construction, reconstruction, or installation of public facilities (including street, sidewalk, and other site improvements);
- Related relocation, clearance, and site improvements;
- Payment of interest on the guaranteed loan and issuance costs of public offerings;
- Debt service reserves; and
- In limited circumstances, housing construction as part of community economic development, Housing Development Grant, or Nehemiah Housing Opportunity Grant programs.

For purposes of determining eligibility, the CDBG rules and requirements apply. As with the CDBG program, all projects and activities must either principally benefit low- and moderate-income persons, or aid in the elimination or prevention of slums or blight, or meet urgent needs of the community.

Ineligible Activities

Activities not eligible for Section 108 Loan Guarantees include:

- Activities that do not meet the public benefit criteria, as defined by HUD.
- Activities that are ineligible under the CDBG program.

Requirements of Funding

The use of Section 108 Loan Guarantees will be considered only if the following requirements are met:

- The project meets the public benefit criteria, as defined by HUD.
- The project adheres to all CDBG Program requirements.
- The project complies with all applicable federal, state, and local laws and regulations.

Method of Funding Distribution

Applications for Section 108 Loan Guarantee Program funds will be evaluated on an individual basis using the following criteria:

- Need for the assistance (i.e. the assistance requested is "appropriate" for the project).
- The ratio of jobs created to Section 108 Loan Guarantee funds requested is reasonable for the type of activity proposed. HUD's requirement for individual businesses is a maximum of \$50,000 assistance per full-time equivalent, permanent job created or retained. CTED guidelines are flexible and average around \$25,000 in assistance per FTE job created or retained.
- The project adheres to all CDBG Program requirements.
- The proposed repayment term is 20 years or less.
- Other reasonable financing alternatives have been exhausted.
- Request for funds allows for a minimum of \$700,000 and a maximum of \$7 million.

Review and Approval Process

Applications for Section 108 Loan Guarantees must be reviewed and approved by the state prior to being submitted to HUD. The state's review will consist of an evaluation and recommendation by CTED staff, which will include both the Economic Development Division state or Housing Division staff, and CDBG program staff; when appropriate, the Rural Washington Loan Fund Advisory

Committee; and finally, approval by the Director of the Department of Community, Trade, and Economic Development. The Director may place additional conditions on the loan guarantee and may require that up to 10 percent of the loan proceeds be reserved for defaulted loan payments.

The application and supporting documents will then be forwarded to the HUD Regional Office. After review and approval by the Regional Office staff, the application will be forwarded to HUD Headquarters in Washington, D.C., for final review and approval. HUD may impose additional conditions on the loan guarantee.

Special Requirements

Applicants receiving approval:

- May be required to establish a reserve account of up to 10 percent of the loan amount.
- Will be charged an interest rate of the cost of borrowing plus a one-time commitment fee of up to 1½ percent of the loan amount.
- Will pledge adequate collateral commensurate with the risk and term of the request.

Use of Section 108 Program Revenues

Any incremental servicing fees assessed over the cost of borrowing or commitment fee, shall be used for administrative costs.

2004 RURAL WASHINGTON LOAN FUND

The Rural Washington Loan Fund (RWLF), administered by CTED, was created by the Washington State Legislature to provide "gap financing" to small businesses, primarily in economically distressed and timber-impacted areas of the state. To conform to the State Constitution, the RWLF Program exchanges the state appropriated RWLF funds with an equal amount of CDBG Program funds. RWLF is guided by RCW 43.168 in addition to HUD regulations.

Currently, approximately \$1.6 million of pre-switched CDBG resources is being held available for use in the RWLF program. In the event that the RWLF lacks sufficient resources to complete an eligible loan request at any point in the year, up to \$500,000 annually will be made available from the state's award.

Amount of Funds Available

The RWLF Program anticipates funding authority of approximately \$6.5 million for the 2004 program year. This includes up to \$500,000 of additional resources that will be made available from the state's annual CDBG award if RWLF has exhausted its funds.

Application Guidelines

Application Deadline

Recommendations regarding applications will be made to the RWLF Advisory Committee. The committee's recommendation requires the approval by the Director of CTED.

Application Requirements

An application to the RWLF must be on behalf of a specific business project. An eligible jurisdiction may submit more than one application at any time. Applications up to a maximum of \$700,000 each may be accepted.

An application will consist of:

- An application signed by the authorized chief administrative officer of the local jurisdiction;
- Documentation supporting the need for the assistance and job impact;
- Confirmation/documentation of authority of the business to enter into the transaction;
- Evidence that the jurisdiction has complied with Citizen Participation Requirements, including at least one well publicized public hearing and the adoption of a CDBG Grievance Procedure; and
- Assurance that all CDBG Program requirements will be met.

Eligibility Guidelines

Eligible Applicants

The Washington State Legislature has targeted at least 80 percent of the RWLF funds to distressed and timber-impacted areas. A distressed area has been defined in RCW 43.168.020 as: 1) a rural

county, one that has less than 100 residents per square mile; 2) a county with an unemployment rate 20 percent above the state average for the immediately previous three years; 3) a county with a median household income level that is less than the state median household income for the previous three years; or 4) an area within a county that meets the following conditions:

- It is composed of contiguous census tracts.
- It has a minimum population of 5,000.
- It has a median household income level that is less than 75% of the state median household income for the previous three years..
- It has an unemployment rate 40 percent higher than the county's unemployment rate.

A timber/salmon impact area has been defined as a county, or a city within a county, having a population of less than 500,000 and meeting two of the following three criteria, for the most recent year that such data is available. The Employment Security Department has determined that the three criteria are that a county or city has:

- A lumber and wood products employment location quotient at or above the state average.
- Projected or actual lumber and wood products job losses of 100 or more.
- An annual unemployment rate 20 percent or more above the state average.

The county or any city within a distressed county may sponsor a RWLF application. Non-distressed areas may receive up to 20 percent of RWLF funds provided that the fund's net worth is not less than \$7,100,000.

Eligible Activities

RWLF can accommodate almost any type of private sector business that has the legal authority to borrow funds. This includes owner-users, developers, not-for-profit organizations, quasi-public corporations such as ports, limited partnerships, general partnerships, proprietorships, and community organizations. RWLF priority ventures include business projects that will:

- Meet public benefit criteria, as defined by HUD.
- Create or retain job opportunities benefiting low- and moderate-income persons; and
- Increase cash flow into the community by diversifying and expanding the economic base.

The business may be involved in any of the following activities:

- Manufacturing or other industrial production.
- Agricultural development or food processing.
- Aquaculture development or seafood processing.
- Development or improved utilization of natural resources.
- Tourism facilities.
- Transportation or freight facilities.
- Retail or service enterprises that will expand the community's economic base rather than redistribute an existing customer base.
- Other activities representing new technology or a type of economic enterprise that is needed to diversify or stabilize the economic base of an area.

A business that faces a relatively high probability of layoffs needs to demonstrate that:

- Prospects for a turn-around of profitability are good;
- The economic fabric of the community would be significantly damaged through the projected loss of jobs; or
- The business has a record of providing jobs for which low-income persons are eligible.

Funds can be loaned for the acquisition, design and engineering, improvement, rehabilitation, construction, operation, or maintenance of any property, real or personal, which is used or is suitable for use by an economic enterprise (subpart CFR 570.203). Working capital term loans are eligible.

Applications from certified minority- and women-owned businesses (MWOB) may be funded 100% if the request is less than \$50,000 and must have some other lender participation if the request is greater than \$50,000 but less than \$100,000. The underwriting criteria for MWOB loans under \$100,000 may vary from the RWLF applications.

Ineligible Activities

Activities not eligible under the RWLF Program include:

- Funds used for the purpose of directly or indirectly financing shopping malls;
- Businesses which have a negative tangible net worth; and
- Those activities that do not meet the public benefit criteria, as defined by HUD.

Method of Funding Distribution

Applications for RWLF loans will be evaluated on an individual basis using the following criteria:

- The need for assistance must meet the public benefit requirements for the project. HUD's public benefit requirement for individual businesses is a maximum of \$50,000 assistance per full-time equivalent, permanent job created or retained. HUD's standards for activities in the aggregate must create or retain at least one full-time equivalent (FTE), permanent job per \$35,000 of CDBG funds used. RWLF guidelines are flexible and average around \$25,000 per FTE job created or retained;
- Job creation. Permanent jobs created or retained as a result of the project will be made available to low-income persons.
- Other criteria as defined by RWLF statute.

Use of RWLF Program Revenues

Business receiving assistance through the RWLF are required to make principal and interest payments. Up to two percent (2%) of program income, including principal and interest and investment earnings received by the fund, may be used for RWLF Program administration. The balance of program income will be made available for future loans through the RWLF Program.

2004 CDBG FLOAT-FUNDED ACTIVITIES

The Department of Community, Trade and Economic Development (CTED) manages the Float-Funded Activities program that serves non-entitlement jurisdictions by using CDBG funds allocated to the Washington State CDBG Program, but not expected to be drawn down for the duration of the loan term. These funds may be used to provide short-term loans to businesses/developers and interim construction financing to eligible jurisdictions for CDBG-eligible activities that meet a HUD National Objective. Float-funded activities are described in the HUD regulations at 24 CFR 570.301(b).

Amount of Funds Available

Based on the estimated cash expenditures of CDBG construction grants and the amount of estimated funding available for the FY 2004 Washington State CDBG Program, the maximum estimated amount of funding for Float-Funded Activities is \$20,000,000. For projected and existing Float-Funded activity obligations, see Table 5 on page 79.

Application Guidelines

Application Deadline

Applications for CDBG Float-Funded Activity grants may be submitted anytime after adoption of the 2004 Action Plan. The decisions related to project approval or denial will be made by the Director of CTED.

Application Requirements

An application for a Float-Funded Activity must be on behalf of a specific economic or community development project. An eligible jurisdiction may submit more than one application at any time.

An application will consist of:

- An application signed by the authorized chief administrative officer of the local jurisdiction;
- Documentation supporting the need for the assistance and job impact or benefit to low- and moderate-income persons;
- Confirmation/documentation of authority of the business or community development organization, or jurisdiction to enter into the transaction;
- Evidence that the jurisdiction has complied with Citizen Participation Requirements, including at least one well publicized public hearing and the adoption of a CDBG Grievance procedure; and assurance that all CDBG Program requirements will be met; and
- Submittal of an unconditional, irrevocable letter of credit drawn from a financial institution acceptable to CTED in the amount of the request. CTED may require that the letter of credit be enlarged to cover accrued interest. For interim construction financing to a jurisdiction, a commitment letter from an acceptable take-out funding source is required.

Eligibility Guidelines

Eligible Applicants

Eligible applicants are cities and towns with less than 50,000 population or counties with less than 200,000 population provided the cities, towns, and counties **do not** participate as members of HUD Urban County Consortiums.

Eligible Activities

Float-Funded Activities can accommodate almost any type of private sector business or non-profit organization that has the legal authority to borrow funds. This includes owner-users, developers, quasi-public corporations such as ports, limited partnerships, general partnerships, proprietorships, and community organizations. CDBG Float-Funded Activities may also be used to fund interim construction grants to eligible jurisdictions where a CDBG General Purpose or Community Investment Fund grant has been awarded. Float-funded activities can be made in support of any CDBG eligible economic, housing or community development projects.

Float-Funded Activities priority ventures include business projects that will:

- Meet public benefit criteria, as defined by HUD.
- Have an identifiable funding or return on investment gap preventing the project from being accomplished.
- Meet either the HUD National Objective of creation or retention of job opportunities principally benefiting low- and moderate-income persons or of principally benefiting low- and moderate-income persons or households.
- Create or retain job opportunities benefiting low- and moderate-income persons; and
- Increase cash flow into the community by diversifying and expanding the economic base.
- Assist business or community development projects that require infrastructure or housing investments.

Participating businesses may be involved in any of the following activities:

- Manufacturing or other industrial production;
- Agricultural development or food processing;
- Aquaculture development or seafood processing;
- Development or improved utilization of natural resources;
- Tourism facilities;
- Transportation or freight facilities;
- Retail or service enterprises that will expand the community's economic base rather than redistribute an existing customer base; and
- Other activities representing new technology or a type of economic enterprise that is needed to diversify or stabilize the economic base of an area.

A business that faces a relatively high probability of layoffs needs to demonstrate that:

- Prospects for a turn-around of profitability are good;
- The economic fabric of the community would be significantly damaged through the projected loss of jobs; or
- The business has a record of providing jobs for which low-income persons are eligible.

Funds can be loaned to a business for acquisition, design and engineering, improvement, rehabilitation, construction, operation or maintenance of any property, real or personal, which is used or is suitable for use by an economic enterprise (subpart CFR 570.203). Working capital term loans are eligible.

Ineligible Activities

Activities not eligible for Float-Funded Activities include:

- Funds used for the purpose of directly or indirectly financing shopping malls.
- Those activities that do not meet public benefit criteria, as defined by HUD.

Requirements for Funding

The interim use of CDBG funds will be allowed only if the following requirements are met:

- The business must demonstrate that public financing of the project provides a public benefit that at least meets or exceeds HUD requirements to create or retain jobs. HUD's requirement for individual businesses is a maximum of \$50,000 assistance per full-time equivalent, permanent job created or retained. CTED guidelines are flexible and average around \$25,000 assistance per FTE job created or retained;
- Eligible jurisdictions receiving interim construction financing must meet the HUD National Objective of providing a benefit to principally low-and moderate-income persons;
- The business or project sponsor must provide for the benefit of the jurisdiction/CTED an unconditional, irrevocable letter of credit in U.S. dollars in the full amount of the principal, plus interest if required, due under the loan from a financial institution acceptable to CTED;
- For interim construction financing to a jurisdiction, a commitment letter from an acceptable take-out funding source is required;
- The business must agree to create jobs, the majority of which will be made available to low-and moderate-income individuals. Retention of jobs can also be considered as a qualifying factor;
- The business must enter into a First Source Agreement with a local Job Service Center. The purpose of the agreement is to identify and place certified disadvantaged (i.e., low-income) workers in non-managerial jobs created by the project;
- Rates of interest and other loan terms are determined by the needs of the project and by competitive factors;
- The business must agree to comply with all applicable federal, state, and local laws and regulations;
- Interim financing – Float-funded activities in support of housing will primarily benefit low- and moderate-income individuals at an average rate of \$25,000 per household assisted; and
- Interim financing in support of infrastructure will primarily benefit low- and moderate-income people at an average rate of \$10,000 per household.

Method of Funding Distribution

Applications for Float-Funded Activities will be evaluated on an individual basis using the following criteria:

- Need for the assistance - The assistance requested meets the public benefit criteria, as defined by HUD;
- Job creation - Permanent jobs created or retained as a result of the project will be made available to low- and moderate-income persons;
- Housing - Interim financing in support of housing projects principally benefits low- and moderate-income persons; and
- Infrastructure - Interim financing of projects principally benefits low- and moderate-income persons.

CDBG and CTED staff will review each application. Additional information will be requested if needed. Staff will decide whether or not the project meets the above-stated criteria. The CTED certifying authority is the Director of CTED. If funds are available, a Float-Funded Activity will be awarded to the applicant. CTED reserves the right to require repayment of a loan to a business, developer or jurisdiction made through a Float-Funded Activity at any time, when it is in the best interest of the program.

Use of Float-Funded Activity Program Income

Jurisdictions receiving a Float-Funded Activity award will be required to return the full principal plus interest to CTED. Float-Funded Activity program income will be treated as additional CDBG funds subject to 24 CFR 570.489 Subpart I, and will be distributed to units of general local government in accordance with the state's approved annual method of distribution. Float-Funded Activity program income may also be used to reimburse administrative expenses incurred by the program staff directly involved in packaging a specific Float-Funded Activity project.



***American Silicone – SMI Group Inc.
Located in the City of Rock Island
Funded by CDBG Float-Funded Activities
95 Jobs Retained***

***Zillah Hospitality – Comfort Inn
Located in the City of Zillah
Funded by CDBG Rural Washington Loan Fund
15 Jobs Created***



OTHER 2004 CDBG PROGRAM GUIDELINES

Reallocated Funds

Reallocated funds are those, which HUD has recaptured from a grantee and reallocated to the state in accordance with the Community Development Act of 1974, as amended. Reallocated funds that are received by the state with the annual grant will be made available to eligible jurisdictions through 2004 funding distribution processes in accordance with the methods of distribution described in this statement.

Recaptured Funds

Recaptured funds are funds that remain unused by grantees at the point of contract completion and are deobligated. These funds will be redistributed according to the guidelines in this section.

Recapture of Funds Policy

It is CTED's policy to recapture and retain (deobligate) unspent CDBG funds from any CDBG award when it is clear that the recapture will not preclude local ability to complete approved activities. Most commonly, this occurs during the administrative closeout process of a CDBG contract.

For General Purpose Grants and Community Investment Fund only, exceptions to this policy may be made under the following special circumstances:

- Up to two percent (2%) of the grant recipient's total grant amount, to a maximum of \$10,000, may be retained for CDBG eligible activities, subject to written approval by CDBG program staff.
- Use of unexpended funds for new activities will be limited to instances where previously approved project activities will be measurably enhanced as reviewed and approved by CDBG staff. Use of unexpended funds may also be used to implement some part or all of the jurisdiction's approved Americans with Disabilities Act (ADA) plan.
- The use for which a jurisdiction requests to retain unexpended funds must meet CDBG rating criteria and the Final Statement or Action Statement criteria for the year in which the funds were originally awarded.
- Fund balances deobligated from General Purpose Grant and Community Investment Fund projects may be re-obligated in grants made to the originating jurisdiction for the express purpose of accomplishing ADA objectives under the ADA Incentive Grant Program. Up to 2% of the grant recipient's total original grant amount, up to a maximum of \$10,000, may be reallocated as an ADA Incentive Grant award. Awards made to jurisdictions for ADA Incentive grants must be expended within one year of the contract date.

Use of Recaptured Funds

Recaptured funds will be placed within the Contingency Fund and distributed in a manner that is consistent with the overall goals, objectives and guidelines of this Action Plan.

Remaining Funds

Remaining funds are funds that have not been, or are no longer intended to be, distributed according to the method of distribution for annual grants. This can be an amount left over after awarding grants within an individual CDBG program, but too small to fully fund an application. Funds not distributed by the end of the CDBG program year, December 31st, will be placed in the Contingency Fund and distributed in a manner that is consistent with the overall goals, objectives and guidelines of this Action Plan.

Change in Use Policy

All real property acquired or improved with CDBG funds must be used to benefit the intended low- and moderate-income beneficiaries for at least ten (10) years from the administrative closeout date of the CDBG contract between the CTED and the grantee jurisdiction. Any proposed change in use must follow the steps outlined in 24 CFR 570.489(j).

Program Income

Program income is any income generated from the use of CDBG Program funds such as proceeds from disposition of property, loan repayments with interest, proceeds from sale of loans, and accumulated payments received prior to a project being administratively closed. All program income accrued while a contract is still open and active must be used prior to drawing additional CDBG funds from the state. Program income for active contracts must be accounted for on each reimbursement request. Income earned by the grantee as a result of project activities after project completion and after administrative closeout, retains its federal identity and must be reported to CTED annually if it exceeds \$25,000 in any calendar year.

1) General Purpose and Community Investment Fund Grants

It is CTED's option, under federal CDBG regulations, to allow local jurisdictions to return or retain program income generated through implementation of their approved grant activities. Accordingly, CTED will allow jurisdictions receiving General Purpose, Community Investment Fund and Supplemental Grants to retain program income, earned during grant implementation, to continue the activity from which the program income was derived in accordance with applicable regulations and a duly executed closeout report between the grantee jurisdiction and CTED. Program income earned after project completion, but before administrative closeout, may be subject to the Recapture of Funds Policy.

Jurisdictions receiving a grant in support of a microenterprise project will be allowed to retain program income for continuance of the microenterprise activity in accordance with CDBG requirements and a closeout agreement between the grantee jurisdiction and CTED.

2) Planning-Only, Imminent Threat and Public Service Grants

Jurisdictions receiving Planning-Only, Imminent Threat or Public Service Grants will be required to return any program income generated during project implementation. This program income will be subject to the Recapture of Funds Policy and returned to the Contingency Fund for distribution in accordance with this Action Plan.

3) Housing Enhancement Grant and Housing Rehabilitation Grant Program

Jurisdictions receiving a Housing Enhancement or CDBG Housing Rehabilitation Grant will be allowed to retain program income for continuance of the housing program in accordance with applicable requirements and a closeout agreement between the grantee jurisdiction and CTED.

4) Rural Washington Loan Fund Grants (RWLF)

Businesses receiving assistance through RWLF are required to make principal and interest payments. Up to two percent (2%) of program income including principal, interest and investment earnings received by the fund may be used for RWLF program administration. The balance of program income will be made available for future loans through the RWLF Program, in a manner that is consistent with the overall goals and objectives of the RWLF Program.

5) Float-Funded Activities

Jurisdictions receiving a Float-Funded Activity award will be required to return the full principal plus interest to the CTED. Float-Funded Activity program income will be treated as additional CDBG funds subject to 24 CFR 570.489 Subpart I, and will be distributed to units of general local governments in accordance with the state's approved annual method of distribution. Float-Funded Activity program income may also be used to reimburse administrative expenses incurred by the program staff directly involved in packaging a specific float funded project.

Miscellaneous Revenue

The amount of program income expected to be generated in the year 2004 by the state's revolving loan funds and deposited to the state's revolving loan fund is \$492,675.

The amount of program income expected to be received during the 2004 program year from float-funded activities is \$38,100.

Float-Funded Activities - No float funded defaults are anticipated in 2004 since float-loans are secured by bank-supported irrevocable letters of credit. Refer to Table 5 below for a detail of current float-loans.

TABLE 5:

Float-Funded Activities Program Income						
Detail of program income expected from new year 2004 float-funded activities and program income expected from current float-funded activities.						
Name	Location	Year	Float-Funded Activities Amount	Float-Funded Activities Program Income	Date of Issuance	Due Date
Cascade Coatings	Lewis County	2003	\$605,000	\$12,100	6/24/03	12/24/05
Gorge Delights	Skamania County	2003	\$250,000	\$5,000	9/4/03	3/4/06
Shoemaker Manufacturing	Kittitas County	2003	\$1,050,000	\$21,000	10/29/03	4/29/06
* All Float-funded activities are secured in full by an Irrevocable Bank Letter of Credit.						

TABLE 6:

Detail of Existing Section 108 Loan Guarantee Projects						
Name	Location	Year	Original Amount	Balance as of 10/1/03	CDBG Fund Losses	Maturity Date
Grays Harbor Paper	Hoquiam	1994	\$3,300,000	\$435,000	Principal: \$1,115,000 Interest: \$151,147	August 1, 2004
Shilo Inn	Ocean Shores	1994	\$3,600,000	\$2,400,000	0	August 1, 2014
Icicle Amusement	Leavenworth	1996	\$2,020,000	\$1,140,000	0	August 1, 2015
Everybody's of Raymond	Raymond	2001	\$1,960,000	\$1,700,000	0	August 1, 2016
Grays Harbor PDA	Grays Harbor County	2002	\$4,565,000	\$4,500,000	0	August 1, 2021
Maritime Center	Port Townsend	2002	\$1,000,000	\$1,000,000		August 1, 2023
Total Currently Obligated:				\$11,175,000		
Total Unobligated:				\$6,825,000		

TABLE 7:

Available CDBG Loan Guarantee for 2004	
Section 108 Loan Guarantee Available in 2004	\$18,000,000
Estimated Section 108 Loan Guarantee Obligations 1/01/04	\$12,125,000
Total Unobligated Section 108 Loan Guarantee 1/01/04	\$6,825,000

MONITORING STANDARDS AND PROCEDURES

Overview

All CDBG grant recipients will sign binding contracts that spell out program requirements. CTED will monitor its grant recipients for compliance with specific program requirements, including applicable federal requirements, such as handicapped accessibility, fair housing, lead-based paint, and Davis-Bacon. In addition, CTED will monitor in the areas of general management, performance goals, financial management, data collection and reporting, eligibility determinations, nondiscrimination, program outreach, timely reporting, coordination with other programs, and inspection of completed units. Monitoring will consist of both desk and on-site reviews.

Primary Goals

CTED has four primary goals while monitoring programs and projects:

1. Ensure accomplishment of service or production.
2. Ensure accountability of public funds.
3. Ensure compliance with federal and state requirements.
4. Evaluate organizational and project performance for a specific time period.

These goals apply to all programs and services, including HOME, CDBG, Emergency Shelter Grant Program, Housing Opportunities for Persons With AIDS, and the Emergency Shelter Assistance Program.

HOME Monitoring Plan

Each of the programs funded by the HOME grant will establish specific policies, procedures, and tools to perform on-site and desk monitoring. Basic standards for each program, include:

HOME Repair and Rehabilitation Program

- Contractors are responsible for quality assurance of all work and must perform a final inspection on 100 percent of all housing units worked on.
- CTED will conduct inspections of a random sample of units improved. The sample will be based on number of units improved and nature of problems found.
- Technical assistance, the primary purpose of all site visits, will be provided based on monitoring findings.
- Trip (or compliance) reports will be written and provided to agencies within 21 working days of a site visit.
- Contractors are responsible for correcting and reporting deficiencies within 30 days of receiving the trip report.

HOME Rental Housing (Moderate and Substantial Rehabilitation; New Construction)

Perform on-site inspections of HOME-assisted units in rental housing developments no less than:

- Every three years for projects of one to four units,
- Every two years for projects with five to 25 units, and
- Annually for projects with 26 or more units.

HOME Tenant-Based Rental Assistance (TBRA)

Perform annual desk monitoring of contractors to ensure completions of on-site inspections of rental housing occupied by tenants receiving HOME-TBRA.

The following procedures and standards apply to HOME Rental Housing and TBRA activities.

- Perform an annual risk assessment on each program and/or project funded with HOME monies. The risk assessment will identify which funding recipients require comprehensive monitoring. High-risk funding recipients include those that are:
 - New organizations to the HOME program.
 - Experiencing turnover in key staff positions, such as executive director and chief financial officer.
 - Repeated past compliance or performance problems.
 - Undertaking multiple HOME-funded activities for the first time, such as rental project and TBRA, and
 - Not submitting timely documentation, such as annual reports and/or requests for reimbursement.
- Conduct desk reviews at least annually as HOME fund contractors submit annual performance reports. The annual reports will be reviewed and the activities reported will be compared with the original contract and purpose of the project, along with any subsequent amendments.
- Take appropriate corrective action in situations of noncompliance in conformance with contract terms and conditions. Generally, the following intervention stages will be used:

Stage 1 – low-level intervention will include one or more of the following actions:

- Clearly identify problem areas and required corrective actions;
- Plan a strategy with the contractor that includes any training or technical assistance that may help to address identified problems;
- Require more frequent or more thorough reporting by the Contractor; or
- Conduct more frequent contractor monitoring reviews.

Stage 2 – moderate-level intervention may be attempted after the stage 1 level and will include one or more of the actions referred to in the suspension actions sections of the appropriate contract.

Stage 3 – high-level intervention, the most serious actions available, may be taken to put an end to noncompliance problems. Such steps may include the following:

- Suspending the contractor from HFU program eligibility;
- Termination of the Contractors contract for the project;
- Legal action, to include foreclosure of the project property in question.

Emergency Shelter Grant Program (ESGP) and Housing Opportunities for Person with AIDS (HOPWA) Monitoring Plan

Perform on-site monitoring for HOPWA and ESGP contractors every three years. Desk monitoring of contractors will be performed every two years.

- Monitoring will be conducted using a standardized monitoring instrument and will be documented in the appropriate monitoring file.
- Instances of noncompliance will be corrected immediately. When such immediate correction is not feasible, the agency will correct such deficiencies within 30 days, providing CTED with copies of supporting documents demonstrating the corrective action taken. Additional time for corrective action may be allowed, on a case by case basis.

- A risk analysis will be performed annually based upon the data reported in annual performance reports. The analysis will also include, but not be limited to, audit reports, evidence of key staff turnover, timeliness of billings and other reporting requirements.
- Agencies determined to be at a high level of risk for fund accountability and program compliance will be scheduled for monitoring within the next 6 to 12 months.
- Instances of noncompliance will be recorded and reported as necessary to members of the CTED Housing Division and other CTED Divisions, which may be funding other programs, administered by the agency in question.
- Once an agency has fully complied with program requirements and can be categorized at a lower level of risk, monitoring may then revert to the regular schedule.

Community Development Block Grant (CDBG) Monitoring Plan

Monitoring standards and procedures for CDBG contracts are set forth in Section 15 of the CDBG Management Handbook. Management workshops are offered a minimum of once a year for all new and current CDBG grant recipients. Workshops are usually held at sites on both the east and the west sides of the state. Technical assistance on all aspects of CDBG performance and compliance issues is available upon request.

Communities are responsible for selecting, planning and carrying out programs, projects, and activities in accordance with state and federal regulations and their CDBG contract. The role of CDBG staff is to assure jurisdictions carry out their CDBG-funded programs in accordance with the applicable laws and regulations and to provide technical assistance. As part of this process, CDBG staff help grant recipients and their subrecipients identify and correct problems or potential problems in program implementation. Whenever possible, deficiencies will be corrected through discussion, negotiation, or technical assistance in a manner that preserves local discretion.

HUD representatives may also conduct monitoring visits to assure that grantees are carrying out their programs in accordance with applicable laws and regulations.

The CDBG staff objectives for monitoring are to determine if grantees are:

- Carrying out their CDBG-funded activities as described in their contracts (as modified or amended);
- Carrying out the program or project in a timely manner in accordance with the schedule included in the CDBG contract;
- Charging costs to the program or project which are eligible under applicable regulations;
- Complying with other applicable laws, regulations and terms of the CDBG contract;
- Conducting the program in a manner which minimizes the opportunity for fraud, waste and mismanagement; and
- Have a continuing capacity to carry out the approved program or project.

A CDBG monitoring visit may consist of an on-site monitoring or a desk monitoring. All CDBG grantees will be monitored once prior to a contract being administratively closed. The areas monitored may include:

- Overall Management System, Record Keeping and Progress in Activities
- National Objectives
- Environmental Review

- Financial Management
- Property Management
- Procurement
- Efforts to Use Small, Minority- and Women-Owned Businesses
- Labor Standards
- Non-Construction Contracts between Grantees and Consultants
- Subrecipients
- Civil Rights
- Acquisition/Relocation
- Housing Rehabilitation and Lead-Based Paint
- Citizen Participation

When a grantee is found to be out of compliance, CDBG staff will identify a specific period of time in which compliance should be achieved. Usually the grantee will have 30 days to correct deficiencies. Copies of supporting documentation demonstrating that corrective action has been taken will be required. Additional time for corrective action may be allowed on a case-by-case basis. Failure by the grantee to correct deficiencies may result in funds being withheld, sharing of the noncompliance findings with other CTED programs and divisions, and possible restrictions on future grants.

PUBLIC PARTICIPATION PLAN

Requirements for Local Jurisdictions

The Washington State CDBG Program requires that jurisdictions demonstrate within their initial application for CDBG funds, that they have met the program's Citizen Participation requirements. Documentation must include, the jurisdiction's process for seeking and obtaining citizen participation leading up to application submittal, the process for ensuring ongoing citizen participation, and a grievance procedure.

Based on the federal citizen participation requirements outlined in 24 CFR 570.486, the minimum requirements for the submission of a CDBG application are:

1. Conduct at least one public hearing prior to submission of the CDBG application. This hearing must be held at a convenient time and location to encourage citizen participation.
2. Publish an official announcement of the hearing, providing reasonable advance notice. A sample public hearing notice with required language is available from CTED upon request.
3. Distribute information on the availability of CDBG funds and the eligible uses at the public hearing. Sample fact sheets are available from CTED upon request.
4. Review local demographic data to determine if it is reasonable to expect a significant number of non-English speaking residents to participate in the public hearing and advertise and conduct the public hearing in accordance with this determination. Detailed guidance on providing and documenting outreach and accommodation for non-English speaking residents is provided in the application handbooks and available from CTED upon request.
5. Adopt a grievance procedure for the use of CDBG funds. A sample grievance procedure is available from CTED upon request.
6. Document that the notice was published and the hearing was held. A documentation checklist is provided below.

The required citizen participation documentation to be submitted with the application includes:

- A copy of the public hearing minutes, including a statement that the CDBG required handouts were distributed.
- A copy of the affidavit of publication or the notice from the paper.
- The Outreach and Accommodation for Non-English Speaking Residents form, documenting the review and determination of local data on non-English speaking populations, the list of outreach steps (if applicable) and accommodations made.
- A copy of the jurisdiction's adopted Grievance Procedure.

Amendments to the State's Method of Distribution

Amendments to the Consolidated Plan are necessary at least once each year as a means of proposing and updating the state's method of distributing HUD funds. Annual amendments to

the state's Consolidated Plan are called the Action Plan. In addition, amendments will be necessary when new funding programs are available and need to be incorporated into the five-year Consolidated Plan prior to implementation. Amendments to the Consolidated Plan will be necessary when:

- Funding amounts are ten percent more or less than amounts anticipated in the Action Plan; or,
- Components of the programs within the Consolidated Plan or Action Plan are proposed to change significantly in scope (such as eliminating a component or changing the method of distribution of funds).

This section describes the process for making amendments.

Consultation

1. Local Governments, advisory groups and program stakeholders such as the Affordable Housing Advisory Board and CTED's Resource Team will be consulted during preliminary development of the Action Plan. They, and others, will be consulted in the event there are program additions, or changes in scope to programs described in the Consolidated Plan.
2. State and federal agencies will be consulted when changes could affect or change the way state managed HUD resources work with existing program structures.

Meetings

1. When changes to policy or program design are proposed that would benefit from the input of a broader community, CTED will conduct focus groups, workshops or public meetings to seek input.
2. Meetings will be located on both the east and west sides of the state when appropriate and feasible.
3. Meeting locations will be barrier-free and a contact person will be specified to provide special accommodations when needed.
4. Notices of meetings will be distributed in advance through the mail, newspaper publication, and through CTED's website.

Public Hearings and Publication Information

1. Generally, public hearings will not be necessary for amendments.
2. In the event that a program component is added or eliminated, several non-grammatical changes are needed, or the state determines it would benefit from a public hearing, a public hearing or set of public hearings will be conducted by CTED, which may be conducted by video conferencing through local video conferencing facilities.
3. Public hearing locations will be barrier-free, and a contact person will be specified to provide special accommodations when needed.
4. Notices will be distributed at least 14 days in advance of the public hearings through the mail, newspaper publication, and through CTED's website. Notices will be published in at least four regional newspapers or business journals, sent to people and organizations on the program mailing lists, and published electronically.
5. Notices will describe locations, times, purpose of meeting or hearing, and invite people with special needs to contact a specified person to make appropriate arrangements.
6. Proposed amendments will be made available for public comment for at least 14 days. Notice of the amendment will include information regarding the substance of the amendment and options as to how to view or receive a copy of the entire amendment.

7. Copies of the draft and final amendment, if different from the draft, will be sent to the Washington State Library for distribution to regional libraries, and if possible, will be made available on CTED's website. Copies will be made available in a form accessible to persons with disabilities upon request.

Comments on Proposed Amendments and Action Plan

1. Comments on the draft amendment and annual Action Plan will be sought for at least 14 days.
2. Written or oral comments received during the comment period, and during any public hearings on proposed amendments conducted by CTED during the comment period, will be incorporated into the comments section of the amendment. CTED will respond to each comment. Similar comments may be combined, in which case the number of people or organizations that concur with the issue as expressed will be specified.

Performance Reports

1. Performance Reports will be complete and available for review at least three weeks prior to when they are submitted to HUD.
2. Notices of report availability and the name of a contact person will be distributed to people and organizations on the program mailing lists.
3. At least 14 days will be allowed for written comment prior to submittal of the report.
4. A summary of written and oral comments received during the comment period and the state's response to the comments will be compiled and submitted with the Performance Report.

Access to Records

Citizens, public agencies, and other interested parties will be provided with reasonable and timely access to information and records relating to the state's Consolidated Plan, all subsequent amendments, and the state's use of assistance under the programs covered by the Consolidated Plan during the preceding five years. Requests for information may be submitted to:

CDBG Program
Department of Community, Trade, and Economic Development
906 Columbia Street SW
Post Office Box 48350
Olympia, Washington 98504-8350

Complaints

Written complaints and grievances regarding the Consolidated Plan or its subsequent amendments will be logged in by the appropriate person, then forwarded through the correct channels and monitored for resolution and timely response.

The CDBG complaint procedure provides for CDBG program staff to conduct follow-up research, including notification to the jurisdictions, and to write a response to the complainant. When possible, the complainant will receive a written or oral response within 15 working days.

The Managing Director may also treat the complaint as an administrative review when the complaint is related to CDBG staff interpretation of program policies or rules. An administrative review may take longer than 15 working days to complete; the complainant will be notified when a complaint is going to receive administrative review and will be provided an estimate of time needed for a response.

Availability of Plan

The draft 2004 Action Plan was made available by phone or email request and on CTED's website beginning October 15, 2003. The formal comment period began on October 15, and ended at 5:00 p.m. on November 6, 2003. The final proposed Action Plan will continue to be available by request and on the agency's website at www.cted.wa.gov.

APPENDIX A: Lists of WA State CDBG Eligible And Ineligible Jurisdictions

1. Eligible Jurisdictions

a. Non-Entitlement Cities and Towns:

Aberdeen	Ephrata	Mesa	Roslyn
Albion	Everson	Metaline	Royal City
Almira	Farmington	Metaline Falls	Sedro Woolley
Asotin	Ferndale	Montesano	Selah
Benton City	Forks	Morton	Sequim
Bingen	Friday Harbor	Moses Lake	Shelton
Blaine	Garfield	Mossyrock	Soap Lake
Brewster	George	Moxee	South Bend
Bridgeport	Goldendale	Naches	South Cle Elum
Bucoda	Grand Coulee	Napavine	Sprague
Burlington	Grandview	Nespelem	Springdale
Cashmere	Granger	Newport	St. John
Castle Rock	Hamilton	Nooksack	Starbuck
Cathlamet	Harrah	North Bonneville	Stevenson
Centralia	Harrington	Northport	Sumas
Chehalis	Hartline	Oakesdale	Sunnyside
Chelan	Hatton	Oak Harbor	Tekoa
Chewelah	Hoquiam	Oakville	Tenino
Clarkston	Ilwaco	Ocean Shores	Tieton
Cle Elum	Ione	Odessa	Toledo
Colfax	Kahlotus	Okanogan	Tonasket
College Place	Kalama	Omak	Toppenish
Colton	Kelso	Oroville	Tumwater
Colville	Kettle Falls	Othello	Twisp
Conconully	Kittitas	Palouse	Union Gap
Concrete	Krupp	Pateros	Uniontown
Connell	Lacey	Pe Ell	Vader
Cosmopolis	La Conner	Pomeroy	Waitsburg
Coulee City	La Crosse	Port Angeles	Walla Walla
Coulee Dam	Lamont	Port Townsend	Wapato
Coupeville	Langley	Prescott	Warden
Creston	Leavenworth	Prosser	Washtucna
Cusick	Lind	Pullman	Waterville
Davenport	Long Beach	Quincy	Wenatchee
Dayton	Lyman	Rainier	West Richland
East Wenatchee	Lynden	Raymond	Westport
Electric City	Mabton	Reardan	White Salmon
Ellensburg	Malden	Republic	Wilbur
Elma	Mansfield	Ritzville	Wilson Creek
Elmer City	Marcus	Riverside	Winlock
Endicott	Mattawa	Rock Island	Winthrop
Entiat	McCleary	Rosalia	Yelm
			Zillah

b. Non- Entitlement Counties:

Adams	Ferry	Klickitat	Skagit
Asotin	Franklin	Lewis	Skamania
Benton	Garfield	Lincoln	Stevens
Chelan	Grant	Mason	Thurston
Clallam	Grays Harbor	Okanogan	Wahkiakum
Columbia	Island	Pacific	Walla Walla
Cowlitz	Jefferson	Pend Oreille	Whatcom
Douglas	Kittitas	San Juan	Whitman
			Yakima

2. Ineligible Jurisdictions

a. Entitlement Cities and Towns:

Airway Heights	Duvall	Marysville	Sammamish
Algona	Eatonville	Medical Lake	Sea Tac
Anacortes	Edgewood	Medina	Seattle
Arlington	Edmonds	Mercer Island	Shoreline
Auburn	Enumclaw	Mill Creek	Skykomish
Bainbridge Island	Everett	Millwood	Snohomish
Battle Ground	Fairfield	Milton	Snoqualmie
Beaux Arts	Federal Way	Monroe	South Prairie
Village	Fife	Mountlake	Spangle
Bellevue	Fircrest	Terrace	Spokane
Bellingham	Gig Harbor	Mount Vernon	Stanwood
Black Diamond	Gold Bar	Mukilteo	Steilacoom
Bonney Lake	Granite Falls	Newcastle	Sultan
Bothell	Hunts Point	Normandy Park	Sumner
Bremerton	Index	North Bend	Tacoma
Brier	Issaquah	Olympia	Tukwila
Buckley	Kennewick	Orting	University Place
Burien	Kent	Pacific	Vancouver
Camas	Kenmore	Pasco	Washougal
Carbonado	Kirkland	Port Orchard	Waverly
Carnation	La Center	Poulsbo	Wilkeson
Cheney	Lake Forest- Park	Puyallup	Woodinville
Clyde Hill	Lake Stevens	Redmond	Woodland
Covington	Lakewood	Renton	Woodway
Darrington	Latah	Richland	Yacolt
Deer Park	Longview	Ridgefield	Yakima
Des Moines	Lynnwood	Rockford	Yarrow Point
Du Pont	Maple Valley	Roy	
		Ruston	

b. Entitlement Counties:

Clark	Kitsap	Snohomish
King	Pierce	Spokane

2004 Action Plan

Comments

2004 ACTION PLAN COMMENTS

Comments were received during the development of the Action Plan, during the October 23, 2003 public hearing, and during the formal comment period that began on October 15, 2003 and ended at 5 p.m. on November 6, 2003. These comments represent important perspectives that impacted the final 2004 Action Plan and will continue to be discussed and considered as the state evaluates its annual performance in delivering resources during the 2004 program year.

Notice regarding the availability of the Draft 2004 Action Plan was announced on October 9, 2003. Draft copies were available either electronically on CTED's website at <http://housing.oed.wa.gov> or, by request, through the mail. Notice of availability of the Draft 2003 Action Plan was published in major daily and weekly newspapers across the state. A mailing or email notice to stakeholders was also conducted, including notice to local elected officials, local governments and non-profit organizations that could potentially benefit from HUD resources managed by the state of Washington. The public notices and mailing also provided detailed information regarding the time and locations for the formal public hearings that occurred on October 23, 2003 in Olympia and Spokane. Copies of the Draft 2004 Action Plan were made available at the Infrastructure Assistance Coordinating Council Conference in Wenatchee on October 27-30, 2003. Copies were also made available through the Washington State Library.

Options for formal comment included email or regular mail. Opportunity for oral comments was also given at the public hearing locations. More than 20 copies of the Draft 2004 Action Plan were requested. The formal comment period began on October 15, 2003 and ended at 5 p.m. on November 6, 2003.

Comments regarding the operation and function of the Community Development Block Grant, HOME Investment Partnerships, Housing Opportunities for People With Aids and the Emergency Shelter Grant Programs are welcome at any time.

Comments:

Housing Rehabilitation Grant Program

- All comments were in support of this new program and the effort to coordinate CTED's housing rehabilitation activities.
- Several comments suggested factors to consider with the consortium process and sought clarification on the role of the CDBG Housing Rehabilitation set-aside fund with the consortium process.
- The draft Housing Rehabilitation Grant Program section and title were revised to reflect these comments and the input from CTED staff.

Jon Martin, Blue Mountain Action Council, supports the development and efforts of the Housing Rehabilitation Consortium Program. It is difficult for the service provider to apply for and administer the different housing rehabilitation funds that each have their own requirements and

complexities. He thinks that a positive, coordinated statewide approach to funding rehabilitation and weatherization of homes by CTED is better. He finds meeting the HOME housing HQS standards difficult to apply to owner-occupied housing. He believes that the admin for the Home rehab programs is too low and wonders if the Housing Trust Fund funding can be put into the mix to help. He is encouraged that CTED is making it easier to access CTED's housing rehabilitation funds by moving towards a set-aside so that rehab projects don't have to compete with sewer and water projects.

Mr. Martin believes there is a need for more rehab funds to help meet the lead-based paint requirements. Now the costs range from \$5,000 to \$20,000 for the assessment and interim controls for lead-based paint on top of the other rehab costs. With these high costs, the local agency may need to walk away from a home that is occupied by a child and needs costly lead hazard reduction activities performed. He encourages the increase in the household cap for CDBG housing rehabilitation activities and was pleased to see the cap is higher for lead-based paint activities.

Mary Jo Harvey, Northwest Regional Facilitators, supports the development of the Housing Rehabilitation Standards that apply to multifamily rehab projects as well as single-family projects. She believes that the HQS Standard is not an appropriate standard. She feels that TA is needed at the local level to help them implement the standards adopted.

Becky Hightower, Okanogan Community Action:

"I am in full support of the new Housing Rehabilitation Consortium Program. Hooray for moving forward with the concept. I believe it will make all of our jobs easier by having one stop access to the much needed rehab funding. Moving the monitoring of the rehab program out of the HTF and into the HIP unit has already simplified matters here in Okanogan. I look forward to more of the same kind of common sense decisions that benefit us all and more importantly those we serve.

Two matters of importance I would like considered are the need for adequate program support/admin funding and tool/equipment repair, replacement & maintenance funding. In order to effectively run an efficient program it is imperative that we have the ability to purchase and maintain the proper equipment. Especially with the new LBP regulations we are now looking at higher costs to not only keep the crew/contractors trained and performing at peak capacity and safely, but also the cost of equipment maintenance has risen. For example, I will be needing to get our Niton XRF LBP testing machine resourced next year and have been quoted a cost of \$7K (yikes!). Yes, this is an extreme example, but it is a real example that will be an ongoing expense to budget for once every 4 - 5 years."

Billie McFarlane, Aberdeen Neighborhood Housing Services, supports the Housing Rehabilitation Consortium Program.

David W. Finet, Opportunity Council, provided both the following Affirmations and Concerns regarding the CDBG Housing Rehabilitation Consortium Program section:

Affirmation

1. *A single application method as well as a single set of rules governing the allowable expenditures, reporting requirements etc. of rehabilitation funds accessed through a consortium program involving CDBG, HOME HRRP, Weatherization, and the Housing Trust Fund is a laudable goal. If done well the time saved for the agencies applying for and delivering the programs would be considerable and should result in more funds and services making it directly to the low-income households in our community. In addition the time the state department charged with awarding and monitoring rehab contracts saves could be redirected into technical assistance and clarification of policy and procedures governing the housing rehabilitation programs.*
2. *As you are aware the weatherization network is an effective and economical vehicle for stabilizing affordable housing in the state of Washington. Trained project coordinators, crews and contractors visit over 1000 homes a year to deliver weatherization services, an additional investment of \$15,000- \$20,000 to provide needed home repairs (a new roof, updated electric or plumbing etc.) can mean that an existing home is going to be safe and durable for a low-income family for another 20 to 40 years.*
3. *Home Repair and Rehabilitation programs would benefit from a stable funding source and an application process that gives full credit to the role rehab and repair plays in stabilizing and preserving affordable housing in our community. An application designed to serve in the competitive process should be separate from an application involving the development side of the affordable housing issue. Housing rehab applications should compete with other housing rehab applications not housing development applications. It's the old lets compare apples to apples concept we use when awarding contracts to our rehab contractors.*
4. *HOME-funded rehab programs are constrained by a five percent limit on administrative costs and the requirements to meet Housing Quality Standards (HQS). There are instances where meeting all of these requirements is an unnecessary burden to the home owner. We support a fund switch within the Office of Community Development to allow the use of state capital dollars for rehab programs, these funds from the state capital fund would be replaced by HOME dollars. The switch would allow more flexibility and the possibility of additional administration dollars to the rehab programs with minimal impact on new construction projects traditionally funded with the state's capital dollars.*

Concerns

1. *Our first concern with the action plan as written is the second paragraph of page 46 (of the draft Action Plan) where it states a fund of up to \$1,000,000 will be set aside for HRC grants. If the dollar amount is CDBG funds only it should be stated so. The combination of paragraph 1 and 2 leads one to believe this is the total combined funded which would be a significant decrease in funding. Agencies currently receive \$3.1 million annually in HRRP funding.*
2. *In Paragraph 3 it states HRC grants would be limited to \$500,000 per request. Currently some agency's receive almost that amount in HRRP funds. We would suggest a higher limit be established.*
3. *The Application Guidelines section when referenced with the first and second paragraphs of page 46 (of the draft Action Plan) leads one to believe the application process for HRC and its combined funding sources is due in November with the 2004 CDBG General Purpose grant application.*

4. *Our interpretation of bullet 3 of the Application Guidelines section is that it conflicts with the last 2 sentences of paragraph 2.*
5. *It is not clear to us whether paragraph 1 under Eligibility Guidelines would leave some current weatherization/HRRP sub-grantees out of the funding loop if they are delivering service in an area where there is a HUD Urban County Consortium. If all HUD Urban County Consortia are Participating Jurisdictions then this would have not affect on weatherization/HRRP sub-grantees. Clarification of this would be helpful.*
6. *The 2 paragraphs of Eligibility Guidelines raise the most concern for us. As written we anticipate the following negative ramifications for current weatherization/HRRP sub-grantees:*
 - a. *Current weatherization/HRRP sub-grantees are not listed as Eligible Applicants and we understand listing them as such is not an option as conceptualized. We would request that current weatherization/HRRP sub-grantees be listed as sub-recipients with preference (This may be achieved by referencing only DOE sub-grantees are eligible sub-recipients. USDA does this for auditing of Farm-worker housing for rehab projects) . As written current weatherization/HRRP sub-grantees would anticipate competition from other housing providers within their communities.*
 - b. *Many agencies do not have existing relationships with the counties or cities they need to work with to become sub-recipients. Establishing these relationships can be difficult and in some cases politically impossible. Current weatherization/HRRP sub-grantees will need support, program guidance and technical assistance to help determine what is an acceptable structure in providing service over multiple counties and cities.*
 - c. *As written what would prevent a city or county from accessing their “fair share”? How would we prevent a service area from being split up into whatever the local jurisdictions favorite housing providers are? A major concern for counties or cities is what will they get for administrative funds. We believe work should be done to streamline, define and educate the local jurisdiction on the administrative process and what’s in it for them. We see this as a joint responsibility of DCTED and the weatherization/HRRP sub-grantees to help reduce the need for additional administrative funds at the local jurisdiction level and create a more sustainable relationship.*

Emergency Shelter Grant

- This comment will be considered further during the assessment of the use of Emergency Shelter Grants.

Jon Martin, Blue Mountain Action Council, addressed the base level under the 2004 Emergency Shelter Grant Program section and stated that since his agency serves 3 smaller counties that base level is needed and supported by his agency.

Housing Initiatives

- These comments will be considered further during the assessment of the use of resources in support of housing initiatives.

Jean Wessman, WA St Association of Counties, supports CTED's efforts to address farm worker housing issues, as described in the Summary for State Housing Initiatives, and encourages CTED to continue to provide resources for farm worker housing.

Ms. Wessman believes that there is an increased need for housing for the mentally ill. She would like to see expanded technical assistance and the ability to combine funds for projects to meet this need.

CDBG Fund Increases and Expanded Uses

- All comments were in support of the proposed fund increases and expanded uses within the CDBG Program.

Leonard Bauer and Matt Ojennus, Growth Management Unit, support the proposed increase in maximum grant levels and amount of funds set aside for CDBG Planning-Only Grants. They encourage continued and improved coordination between GMA and CDBG planning funds.

Tina Cohen, Community Economic Assistance Center, supports the proposed increases in the maximum grant levels for planning activities that address public health and safety issues and the increase in the amount of funds set aside for CDBG Planning-Only Grants.

Sharon Fasnacht, Association of WA Cities, supports the proposed increases for the CDBG General Purpose Grant and CDBG Planning-Only Grants. She also supports the expanded uses for the CDBG Community Investment Fund and CDBG Float-funded Activities.

David Stalheim, City of Wenatchee and Julie Hourcle, City of Longview, support the use of CDBG funds for activities for approved community revitalization strategies.

CDBG Public Service Grants

- These comments will be considered further during the assessment of the use of CDBG funds.

Jean Wessman, WA St Association of Counties, commented that she recalls the CDBG Public Service Grants were originally established as a temporary funding source for community action agencies that lost Community Service Block Grant monies and hopes these funds are not being used for principally administrative activities.

Robert C. Swanson, WA State Community Action Partnership, describes the history of success by the Community Action Agencies in using CDBG Public Service Grant funds effectively and efficiently. They ask that these funds continue to support the successful efforts of over a decade of service to Washington citizens.

Public Participation Process

- These comments will be considered further during the development and implementation of the public participation process for the 5-year Consolidated Plan and future annual Action Plan amendments.

Mary Jo Harvey and Linda Hugo, Northwest Regional Facilitators, recommended two improvements for the public participation process for annual Action Plans (amendment to the five-year Consolidated Plan). The public hearing announcements should more clearly explain that these public hearings are to provide an opportunity to submit formal comment and, unlike the process for the Consolidated Plan, are not structured to include in-depth program presentations or broad-ranging forums for discussion. Also, the notice of public hearing should be better distributed to low income housing stakeholders.

2004 Action Plan

Certifications

CERTIFICATIONS

In accordance with the applicable statutes and the regulations governing the consolidated plan regulations, the State certifies that:

Affirmatively Further Fair Housing -- The State will affirmatively further fair housing, which means it will conduct an analysis of impediments to fair housing choice within the state, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting that analysis and actions in this regard.

Anti-displacement and Relocation Plan -- It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR 24; and it has in effect and is following a residential antidisplacement and relocation assistance plan required under section 104(d) of the Housing and Community Development Act of 1974, as amended, in connection with any activity assisted with funding under the CDBG or HOME programs.

Drug Free Workplace -- It will or will continue to provide a drug-free workplace by:

1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
2. Establishing an ongoing drug-free awareness program to inform employees about -
 - (a) The dangers of drug abuse in the workplace;
 - (b) The grantee's policy of maintaining a drug-free workplace;
 - (c) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (d) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
3. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph 1;
4. Notifying the employee in the statement required by paragraph 1 that, as a condition of employment under the grant, the employee will -

- (a) Abide by the terms of the statement; and
 - (b) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
- 5. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph 4(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;
- 6. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph 4(b), with respect to any employee who is so convicted -
 - (a) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (b) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency; and
- 7. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs 1, 2, 3, 4, 5 and 6.

Anti-Lobbying -- To the best of the State's knowledge and belief:

- 1. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
- 2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and

3. It will require that the language of paragraphs 1 and 2 of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

Authority of State -- The submission of the consolidated plan is authorized under State law and the State possesses the legal authority to carry out the programs under the consolidated plan for which it is seeking funding, in accordance with applicable HUD regulations.

Consistency with plan -- The housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the strategic plan.

Section 3 -- It will comply with section 3 of the Housing and Urban Development Act of 1968, and implementing regulations at 24 CFR Part 135.

Signature/Authorized Official _____ Date _____
Stephen H. Buxbaum, Assistant Director
Housing Division
Department of Community, Trade and Economic Development

Specific CDBG Certifications

The State certifies that:

Citizen Participation -- It is in full compliance and following a detailed citizen participation plan that satisfies the requirements of 24 CFR §91.115 and each unit of general local government that receives assistance from the State is or will be following a detailed citizen participation plan that satisfies the requirements of 24 CFR §570.486.

Consultation with Local Governments -- It has or will comply with the following:

1. It has consulted with affected units of local government in the nonentitlement area of the State in determining the method of distribution of funding;
2. It engages in or will engage in planning for community development activities;
3. It provides or will provide technical assistance to units of local government in connection with community development programs; and
4. It will not refuse to distribute funds to any unit of general local government on the basis of the particular eligible activity selected by the unit of general local government to meet its community development needs, except that a State is not prevented from establishing priorities in distributing funding on the basis of the activities selected.

Local Needs Identification -- It will require each unit of general local government to be funded to identify its community development and housing needs, including the needs of low-income and moderate-income families, and the activities to be undertaken to meet these needs.

Community Development Plan -- Its consolidated housing and community development plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that have been developed in accordance with the primary objectives of Title I of the Housing and Community Development Act of 1974, as amended. (See 24 CFR 570.2 and 24 CFR part 570)

Use of Funds -- It has complied with the following criteria:

1. Maximum Feasible Priority. With respect to activities expected to be assisted with CDBG funds, it certifies that it has developed its Action Plan so as to give maximum feasible priority to activities which benefit low and moderate income families or aid in the prevention or elimination of slums or blight. The Action Plan may also include activities which the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available);

2. Overall Benefit. The aggregate use of CDBG funds including section 108 guaranteed loans during program year(s) 1999, 2000, and 2001. (a period specified by the grantee consisting of one, two, or three specific consecutive program years), shall principally benefit persons of low and moderate income in a manner that ensures that at least 70 percent of the amount is expended for activities that benefit such persons during the designated period;
3. Special Assessments. The state will require units of general local government that receive CDBG funds to certify to the following:

It will not attempt to recover any capital costs of public improvements assisted with CDBG funds including Section 108 loan guaranteed funds by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements.

However, if CDBG funds are used to pay the proportion of a fee or assessment that relates to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds.

It will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108, unless CDBG funds are used to pay the proportion of fee or assessment attributable to the capital costs of public improvements financed from other revenue sources. In this case, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. Also, in the case of properties owned and occupied by moderate-income (not low-income) families, an assessment or charge may be made against the property for public improvements financed by a source other than CDBG funds if the jurisdiction certifies that it lacks CDBG funds to cover the assessment.

Excessive Force -- It will require units of general local government that receive CDBG funds to certify that they have adopted and are enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and
2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within its jurisdiction;

Compliance With Anti-discrimination laws -- The grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 USC 2000d), the Fair Housing Act (42 USC 3601-3619), and implementing regulations.

Lead-Based Paint -- Lead-Based Paint - Its activities concerning lead-based paint will comply with the requirements of 24 CFR Part 35, subparts A, B, J, K and R.

Compliance with Laws -- It will comply with applicable laws.

Signature/Authorized Official _____ Date _____
Stephen H. Buxbaum, Assistant Director
Housing Division
Department of Community, Trade and Economic Development

Specific HOME Certifications

The State certifies that:

Tenant Based Rental Assistance -- If it intends to provide tenant-based rental assistance:

The use of HOME funds for tenant-based rental assistance is an essential element of the State's consolidated plan.

Eligible Activities and Costs -- It is using and will use HOME funds for eligible activities and costs, as described in 24 CFR § 92.205 through §92.209 and that it is not using and will not use HOME funds for prohibited activities, as described in §92.214.

Appropriate Financial Assistance -- Before committing any funds to a project, the State or its recipients will evaluate the project in accordance with the guidelines that it adopts for this purpose and will not invest any more HOME funds in combination with other Federal assistance than is necessary to provide affordable housing;

Signature/Authorized Official_____ Date_____

Stephen H. Buxbaum, Assistant Director
Housing Division
Department of Community, Trade and Economic Development

ESG Certifications

The State seeking funds under the Emergency Shelter Program (ESG) certifies that it will ensure that its recipients of ESG funds comply with the following requirements:

Major rehabilitation/conversion -- In the case of major rehabilitation or conversion, it will maintain any building for which assistance is used under the ESG program as a shelter for homeless individuals and families for at least 10 years. If the rehabilitation is not major, the recipient will maintain any building for which assistance is used under the ESG program as a shelter for homeless individuals and families for at least 3 years.

Essential Services -- Where the assistance involves essential services or maintenance, operation, insurance, utilities and furnishings, it will provide services or shelter to homeless individuals and families for the period during which the ESG assistance is provided, without regard to a particular site or structure as long as the same general population is served.

Renovation -- Any renovation carried out with ESG assistance shall be sufficient to ensure that the building involved is safe and sanitary.

Supportive Services -- It will assist homeless individuals in obtaining appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision, and other services essential for achieving independent living, and other Federal State, local, and private assistance for such individuals.

Matching Funds -- It will obtain matching amounts required under 24 CFR §576.71.

Confidentiality -- It will develop and implement procedures to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services under any project assisted under the ESG program, including protection against the release of the address or location of any family violence shelter project except with the written authorization of the person responsible for the operation of that shelter.

Homeless Persons Involvement -- To the maximum extent practicable, it will involve, through employment, volunteer services, or otherwise, homeless individuals and families in constructing, renovating, maintaining, and operating facilities assisted under this program, in providing services assisted through this program, and in providing services for occupants of such facilities.

Consolidated Plan -- It is following a current HUD-approved Consolidated Plan or CHAS.

Signature/Authorized Official _____ Date _____
Stephen H. Buxbaum, Assistant Director
Housing Division
Department of Community, Trade and Economic Development

HOPWA Certifications

The State HOPWA grantee certifies that:

Activities -- Activities funded under the program will meet urgent needs that are not being met by available public and private sources.

Building -- Any building or structure assisted under the program shall be operated for the purpose specified in the plan:

1. For at least 10 years in the case of any building or structure purchased, leased, rehabilitated, renovated, or converted with HOPWA assistance,
2. For at least 3 years in the case of assistance involving non-substantial rehabilitation or repair of a building or structure.

Signature/Authorized Official _____ Date _____
Stephen H. Buxbaum, Assistant Director
Housing Division
Department of Community, Trade and Economic Development

APPENDIX TO CERTIFICATIONS

Instructions Concerning Lobbying And Drug-Free Workplace Requirements:

A. Lobbying Certification

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

B. Drug-Free Workplace Certification

1. By signing and/or submitting this application or grant agreement, the grantee is providing the certification.
2. The certification is a material representation of fact upon which reliance is placed when the agency awards the grant. If it is later determined that the grantee knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, HUD, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.
3. For grantees other than individuals, Alternate I applies. (This is the information to which jurisdictions certify).
4. For grantees who are individuals, Alternate II applies. (Not applicable jurisdictions.)
5. Workplaces under grants, for grantees other than individuals, need not be identified on the certification. If known, they may be identified in the grant application. If the grantee does not identify the workplaces at the time of application, or upon award, if there is no application, the grantee must keep the identity of the workplace(s) on file in its office and make the information available for Federal inspection. Failure to identify all known workplaces constitutes a violation of the grantee's drug-free workplace requirements.
6. Workplace identifications must include the actual address of buildings (or parts of buildings) or other sites where work under the grant takes place. Categorical descriptions may be used (e.g., all vehicles of a mass transit authority or State highway department

while in operation, State employees in each local unemployment office, performers in concert halls or radio stations).

7. If the workplace identified to the agency changes during the performance of the grant, the grantee shall inform the agency of the change(s), if it previously identified the workplaces in question (see paragraph five).
8. The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

Places of Performance (Street address, city, county, state, zip code)

128 – 10th Avenue
Olympia, Thurston County, State of Washington, 98504-2525

906 Columbia Street SW, Olympia, Thurston County, State of Washington 98504-8350

Check ___ if there are workplaces on file that are not identified here.

The certification with regard to the drug-free workplace required by 24 CFR part 24, subpart F.

9. Definitions of terms in the Nonprocurement Suspension and Debarment common rule and Drug-Free Workplace common rule apply to this certification. Grantees' attention is called, in particular, to the following definitions from these rules:

"Controlled substance" means a controlled substance in Schedules I through V of the Controlled Substances Act (21 U.S.C.812) and as further defined by regulation (21 CFR 1308.11 through 1308.15);

"Conviction" means a finding of guilt (including a plea of nolo contendere) or imposition of sentence, or both, by any judicial body charged with the responsibility to determine violations of the Federal or State criminal drug statutes;

"Criminal drug statute" means a Federal or non-Federal criminal statute involving the manufacture, distribution, dispensing, use, or possession of any controlled substance;

"Employee" means the employee of a grantee directly engaged in the performance of work under a grant, including: (i) All "direct charge" employees; (ii) all "indirect charge" employees unless their impact or involvement is insignificant to the performance of the grant; and (iii) temporary personnel and consultants who are directly engaged in the performance of work under the grant and who are on the grantee's payroll. This definition does not include workers not on the payroll of the grantee (e.g., volunteers, even if used to meet a matching requirement; consultants or independent contractors not on the grantee's payroll; or employees of subrecipients or subcontractors in covered workplaces).